NABISCO BRANDS INC

Brand Strong Worldwide

Annual Report 1981

The name Nabisco Brands grew out of the 1981 merger of Nabisco and Standard Brands, but Nabisco Brands products have been household names for generations. *Oreo* Cookies. *Planters* Nuts. *Ritz* Crackers. *Royal* Desserts. *Baby Ruth* and *Butterfinger* Candy Bars. *Shredded Wheat* and *Cream of Wheat* Cereals. With 185 production units in 35 countries, marketing systems in over 100 countries and annual sales approaching $6 billion, Nabisco Brands is a growth-oriented, multinational Company that has a firm footing in the past…and an alert and confident eye on the future.

Financial Highlights

(In millions, except per share data)	**1981**	1980	% Change
Net sales	**$5,819.2**	$5,587.2	4.2
Net income	**266.3**	234.8	13.4
Per share of common stock			
Net income	**4.21**	3.73	12.9
Dividends declared	**1.77**	1.60	10.6
Shareholders' equity	**23.94**	21.44	11.7
Working capital	**757.1**	879.7	(13.9)
Capital expenditures	**252.0**	212.9	18.4
Total assets	**3,429.2**	3,031.6	13.1
Average common shares outstanding	**63.1**	62.8	.5
Current ratio	**1.79:1**	2.02:1	
Return on average common shareholders' equity	**19%**	19%	

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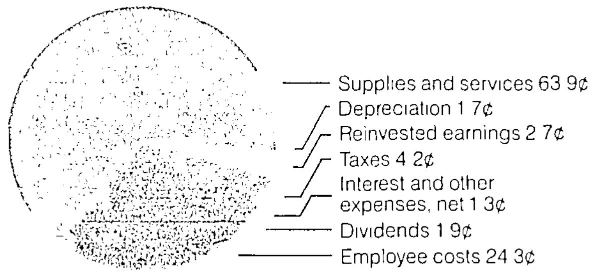
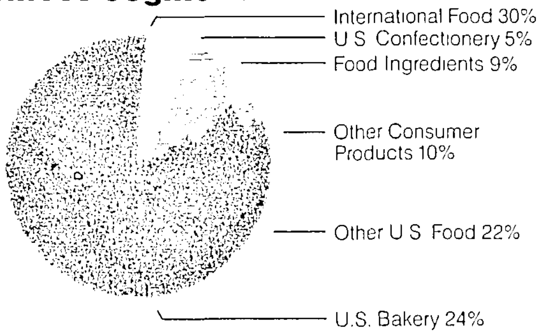
Distribution of 1981 Sales Dollar



1981 Sales by Business Segment



To Our Shareholders:

Nabisco Brands moved forward in 1981 toward realization of the potential generated by the combination of Nabisco and Standard Brands. Immediately after the merger, we began making fundamental changes in our organizational structure and operations that will provide substantial benefits to shareholders over both the short and long terms. Our fine earnings performance during the year reflected the inherent strengths of both partners in the merger and of the new enterprise.

A 13% Earnings Increase

In 1981, your Company earned a record $4.21 per share, an increase of 13% over the $3.73 per share earned by the component companies in 1980. Return on average common shareholders' equity was maintained at 19% in 1981, one of the highest rates of any consumer products company.

Gains in Sales, Operating Income

Net sales climbed by 4% to $5.82 billion from 1980's $5.59 billion, in spite of recessionary pressures and the limiting effect on international operations of the dollar's rise against other currencies.

Operating income for 1981 totaled a record $553 million, an increase of 10% over the $501 million reported for 1980.

Nabisco Brands' earnings growth involved significant improvements in many phases of operations, with especially strong performances registered by U.S. Bakery Products, Other U.S. Food Products and International and Canadian Food Products.

Our sales and earnings growth during the past decade has been excellent. Since 1972, we have had increases of 142% in net sales, 161% in earnings from continuing operations and 147% in operating income. Since 1976, the gains have been 54% in net sales, 72% in earnings from continuing operations and 57% in operating income.

Strong Financial Position

Nabisco Brands' strong balance sheet provides a firm foundation for our future growth.

At the end of 1981, long-term debt in relation to total capitalization was 31%. Cash and short-term investments totaled $186 million, down from the $234 million on the books a year earlier. The decrease was more than accounted for by outlays for two major acquisitions–Life Savers, Inc., and a 30% interest in Gamesa in Mexico–and the repurchase of debentures.

We expect cash on hand and internally generated funds to cover capital expenditures for the next few years. Capital expenditures in 1981 totaled $252 million–up 18% from 1980–and we plan a further increase in 1982 to about $275 million.

Dividends Up Also

The Company raised your first-quarter 1982 dividend 11% to an indicated annual rate of $2.05 per common share. The fourth-quarter 1981 dividend was at an annual rate of $1.85 per common share, an increase from Nabisco's and Standard Brands' rates in effect prior to the merger.

A Leadership Strategy

During the past year, a core of well-known consumer products continued to provide Nabisco Brands with market leadership in a large number of food and beverage categories.

The Company's strategy is to expand this leadership by means of marketing and technological expertise and by building on the special strengths brought to the merger by each partner. At the same time, we intend to explore additional avenues of growth through acquisitions and new-product development.

In 1981, your Company completed two significant acquisitions: Life Savers and a 30% interest in Gamesa, Mexico's leading producer of cookies, crackers and related products.

The Life Savers purchase should add more than $300 million to 1982 sales and will move Nabisco Brands into a leadership position in the North American confectionery industry. The joint venture

Robert M. Schaeberle, Chairman and Chief Executive Officer (seated) F Ross Johnson, President and Chief Operating Officer.

with Gamesa provides us with a major commercial presence in one of the world's fastest-growing countries.

Criteria for Acquisitions

In considering candidates for future acquisitions, your Company will employ three basic criteria:

1. The business entity to be acquired must have products that are sales leaders.

2. The product lines under consideration should be compatible with the Nabisco Brands distribution systems.

3. The products must have profitable growth potential internationally or domestically, or both.

It should be noted that both Life Savers and Gamesa meet all three of these criteria.

By the same token, existing operations that fail to meet the criteria will be divested in order that our assets can be allocated most productively. In 1981, we disposed of the *Wayne* Candy, *Piñata* Mexican Food and *Royal Dragon* Oriental Food operations, and we have signed a letter of intent to dispose of the U.S. *Chase & Sanborn* Coffee business.

Two New Organizations

As part of the restructuring that followed the merger, we established two new companies under which all operating activities will be carried out.

Nabisco Foods Company, with James O. Welch, Jr., as President, is the corporate sector responsible for all domestic foods operations, including U.S. Bakery Products, U.S. Confectionery Products and Other U.S. Food Products.

Nabisco Products Company, with Martin F. C. Emmett as President, is the sector comprising International and Canadian Food Products, Food Ingredients and Other Consumer Products.

Outlook for 1982—and Beyond

We expect 1982 to be another strong year for Nabisco Brands.

Our corporate goals for the years immediately ahead include annual increases in earnings within the range of 12% to 15%. If current inflation-rate forecasts are correct, this would represent a unit-volume growth rate of 3% to 4% a year.

We regard the future with confidence because of the fundamental soundness of our new organization—a soundness rooted in our branded products, our worldwide operations, our sturdy financial position and the more than 60,000 valued employees who have contributed so much to this Company's success and will play so vital a role in its future.

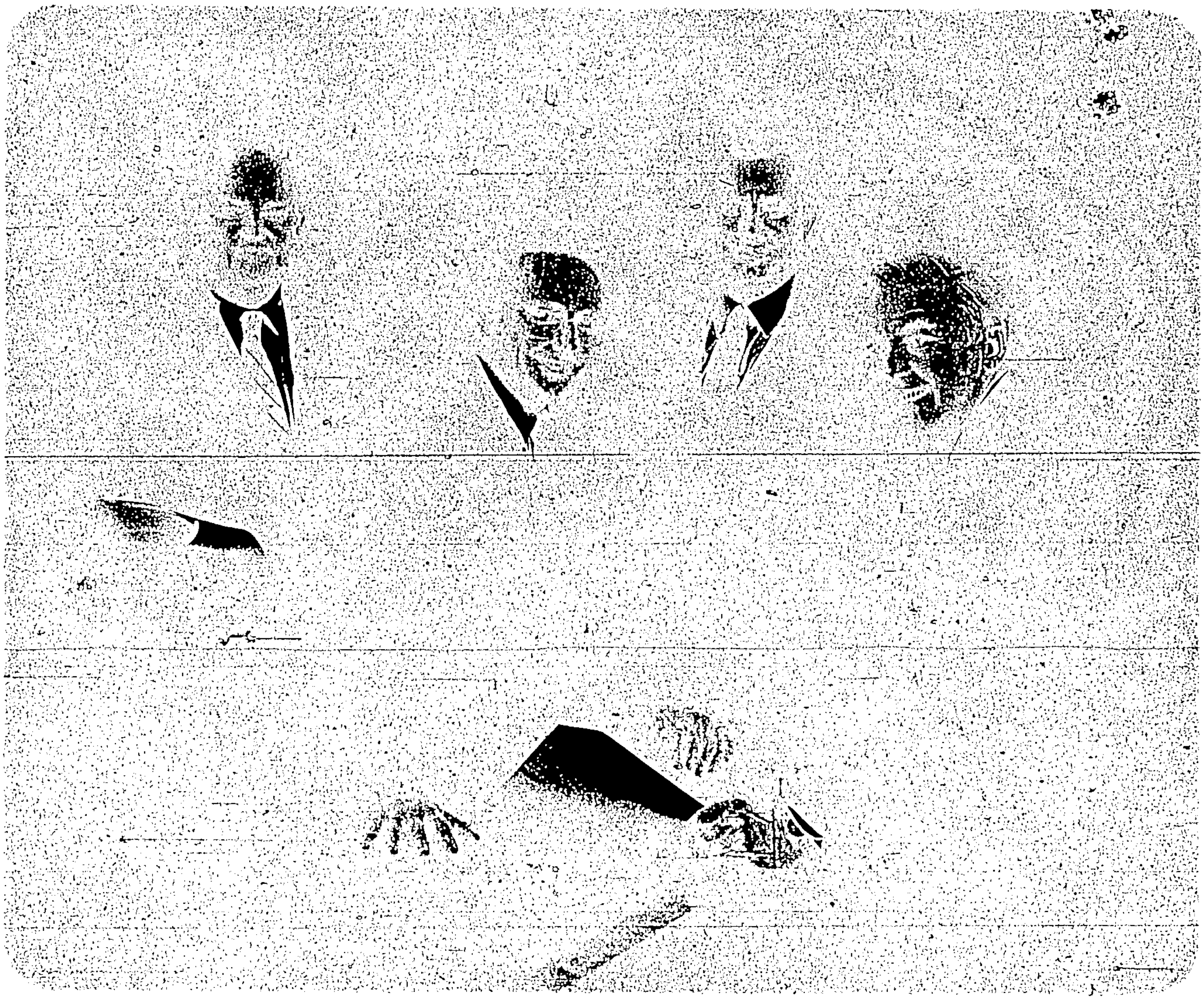
Possessed of these advantages, we look forward to enhancing the stature of Nabisco Brands as a world leader in food processing and marketing, while developing major new areas for profitable growth.

Robert M. Schaeberle
Chairman and
Chief Executive Officer

F. Ross Johnson
President and
Chief Operating Officer

January 27, 1982

Executive Vice Presidents



Seated, from left Martin F C Emmett and James O Welch, Jr Standing, from left Walter G Dunnington, Jr, and C Richard Owens

Each of the four Executive Vice Presidents of Nabisco Brands is a Director of the Company, and each has another title reflecting a specific corporate function. Martin F. C. Emmett is President of the Nabisco Products Company. James O. Welch, Jr., is President of the Nabisco Foods Company. Walter G. Dunnington, Jr., is General Counsel of Nabisco Brands. C. Richard Owens is Chief Financial Officer of Nabisco Brands.

Val B. Diehl: An Appreciation. During 1981, Val B. Diehl retired at age 65 after 39 years with Nabisco, Inc. Mr. Diehl, who joined Nabisco as a sales representative in Minneapolis, was elected President and Chief Operating Officer in 1973 and Vice Chairman of the Board in May 1981. His long service and many significant contributions are acknowledged with gratitude.

U.S. Bakery Products

(In millions)	**1981**	1980	1979
Sales	**$1,412.8**	$1,266 5	$1,164 3
Operating income	**$219.0**	$189 4	$181 2

In 1981 compared with 1980, the U.S. Bakery Products segment of Nabisco Brands registered gains of 12% in net sales, to $1.4 billion, and 16% in operating income, to $219 million.

Gains in Tonnage, Market Share

While price increases contributed to these gains, there was volume growth in many categories. In a U.S. market for cookies and crackers that has gone up in tonnage at an annual rate of about 1% since 1977, Nabisco Brands products recorded a tonnage gain in 1981 of about 2%. As a result, our share of market increased.

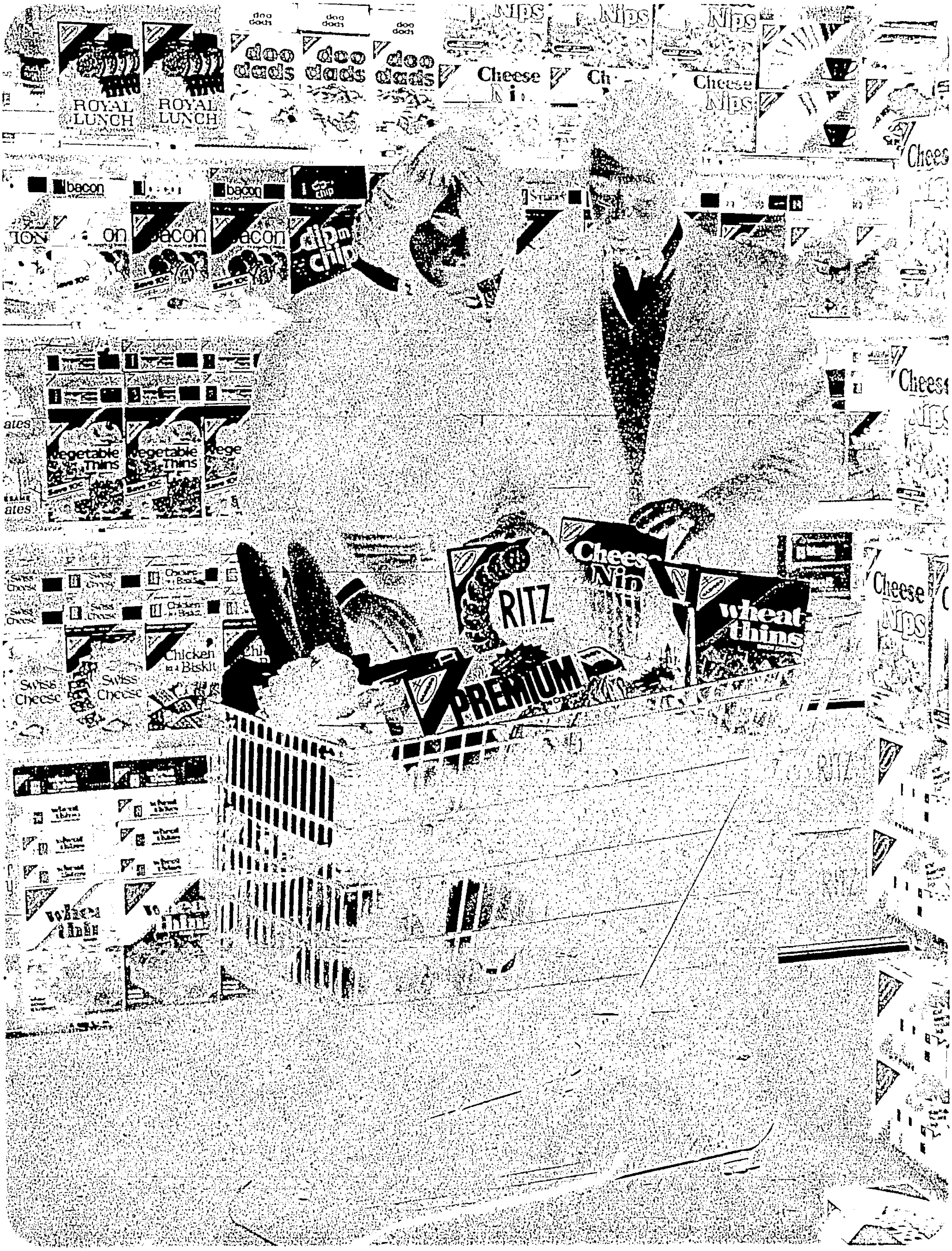
During the year, your Company either maintained or broadened its U.S. market leadership in chocolate sandwich cookies, chocolate chip cookies, fruit-filled cookies, vanilla wafers, graham crackers, saltines and snack crackers.

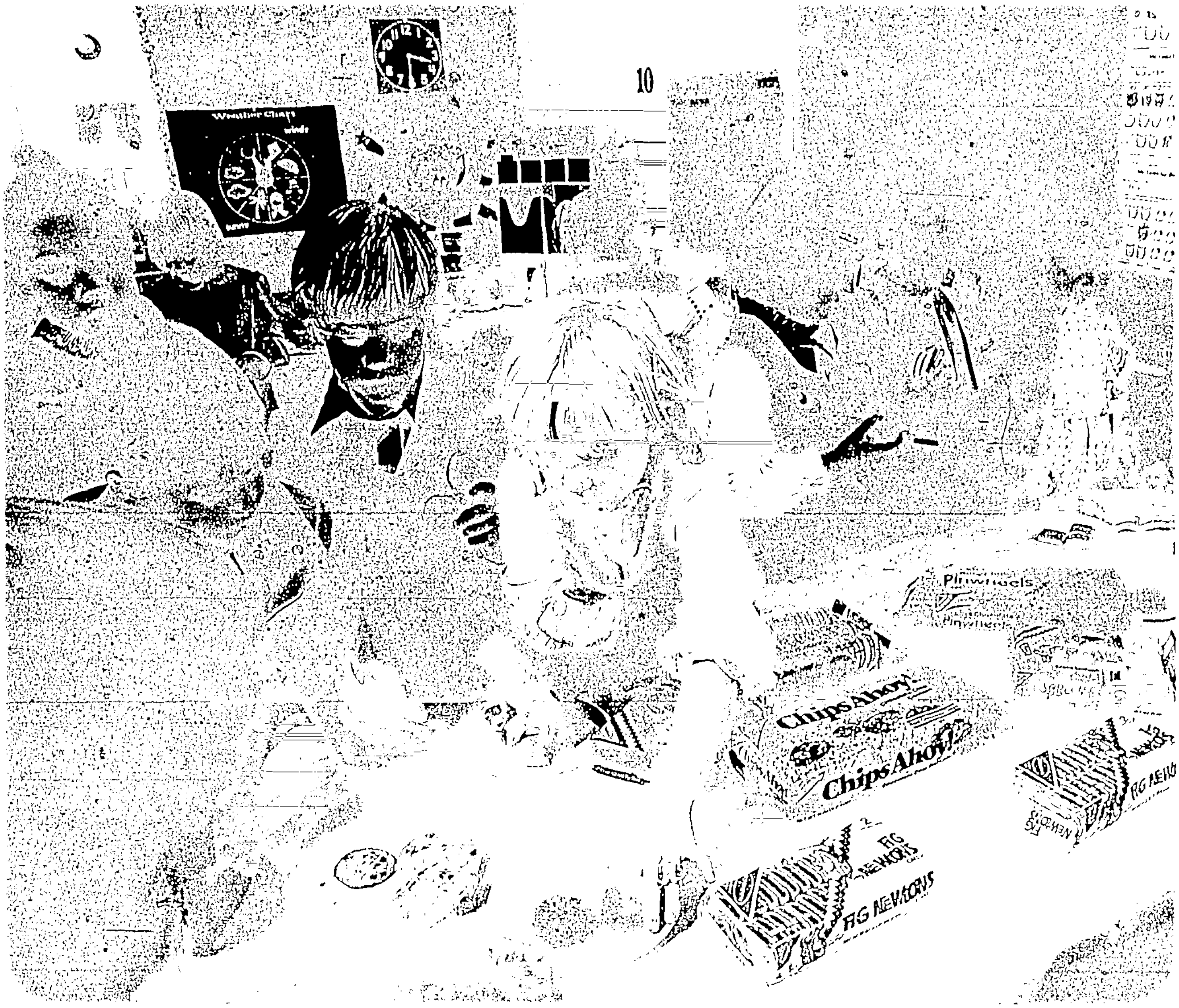
New Cookies and Crackers

Successfully introduced during 1981 were *I Screams* Sandwich Cookies, *Fudge-Striped Shortbread*, a new *Gold Line* of dessert cookies and two snack crackers, *Country Crackers* and *Better Cheddars*, each of which set a sales record for its introductory period.

With name brands like *Triscuit* and *Wheatsworth*, U S Bakery Products recorded a gain in share of market

In a study, *Ritz*, *Premium* and *Wheat Thins* were among Nabisco Brands products that outscored competitors in consumer awareness


ROYAL LUNCH
ROYAL LUNCH
doo dads
doo dads
doo dads
Nips
Nips
Nips
Cheese
Cheese Nips
bacon
dip in chip
Vegetable Thins
Vegetable Thins
Swiss Cheese
Swiss Cheese
Chicken in a Biskit
RITZ
Cheese Nips
wheat thins
PREMIUM
Cheese Nips



I Screams, a new product, and *Chips Ahoy!*, an old favorite, were standouts as the Company's cookie sales reached a record high

With these five new *Gold Line* products, all doing well in test markets, we made our debut in the dessert-cookie field

New positioning of *Chips Ahoy!*—the advertising emphasized the 16 chips in each cookie—substantially elevated our share of that market to an all-time high.

The Factors Responsible

The outstanding sales and profit results for U.S. Bakery Products in 1981 can be attributed to several factors, including consumer recognition of and loyalty to your Company's various franchised brands. A consumer study last year revealed awareness levels for *Oreo, Chips Ahoy!, Fig Newtons, Ritz, Premium* and *Wheat Thins* that were more than double those recorded for any competitive product.

Also contributing to the gain in earnings were a moderation in the cost of ingredients and a rise in productivity generated in part through capital expenditures. Examples that led to significant cost savings in 1981 include the installation of automated packaging equipment in the Atlanta bakery, the introduction of automatic pallet loaders at the Atlanta and Fair Lawn, N.J., distribution centers, and the use of new waffle-creme production units in the Fair Lawn and Chicago bakeries.

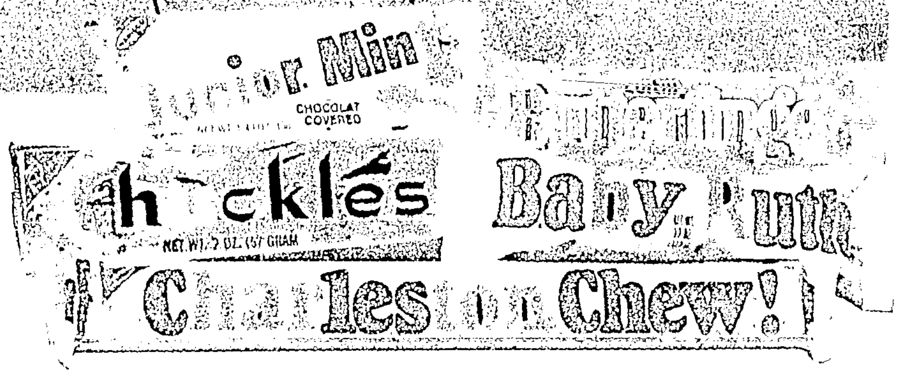
Additional investments this year are expected to produce further increases in productivity.

Outlook for 1982

In 1982, your Company anticipates continuing tonnage and market-share increases for U.S. Bakery Products and additional gains in operating income against a backdrop of slow growth in the overall cookie and cracker markets.

Emphasis will be placed on the achievement of volume increases in all categories, along with product development in expansion categories, such as snack crackers.

Double Stuf is the latest version of the *Oreo* Cookie, the all-time best-seller with 100 billion marketed since the first in 1912.



Kids have mergers too. Standard Brands' *Baby Ruth* and *Butterfinger* join *Junior Mints, Chuckles,* and *Charleston Chew!* from Nabisco

U.S. Confectionery Products

(In millions)	**1981**	1980	1979
Sales	**$265.9**	$272.7	$217.9
Operating income	**$25.0**	$26 1	$24.9

Sharply higher production costs coupled with intensified competition resulted in slightly lower U.S. Confectionery sales and operating income for 1981. Net sales totaled $266 million, a decrease of 2% from the 1980 amount, while operating income decreased by 4% to $25 million.

Particularly affected by the unfavorable conditions were *Baby Ruth* and *Butterfinger* Candy Bars. However, other confectionery products marketed by your Company, notably *Junior Mints, Chuckles* and *Charleston Chew!*–each a sales leader in its field–posted excellent gains.

Strong Results Anticipated

By the end of 1981, U.S. Confectionery performance was moving back onto higher ground, and several key developments were pointing to strong results in 1982.

The addition of Life Savers, Inc., to the corporate roster buttresses the Company position in this area. The Life Savers acquisition makes Nabisco Brands the third largest confectionery manufacturer in the U.S. and provides us with a full array of franchised brands in this important category.

Among the Life Savers products now bearing the Nabisco Brands label are *Life Savers* Hard-Roll Candies, *Bubble Yum* Bubble Gum and *Carefree* and *Replay* Chewing Gums.

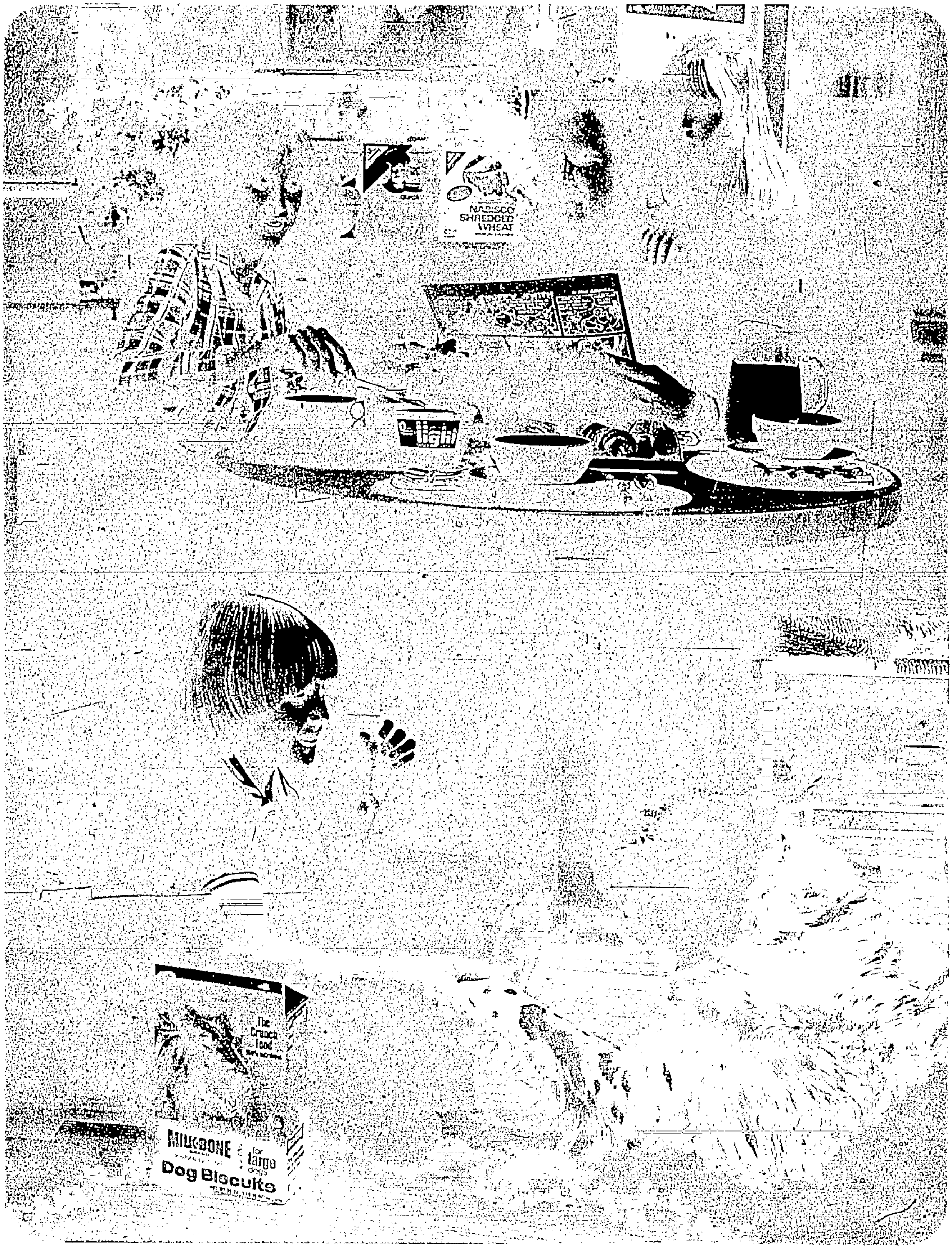
The market leader in hard-roll candy, soft bubble gum and sugarless gum, Life Savers, Inc., had 1981 net sales of more than $320 million and operating income of $36 million.

Other Favorable Factors

Also pointing to a strong 1982 for U.S. Confectionery Products is the behavior of the industry as a whole. Government data show confectionery sales at wholesale climbing at a compound rate of 10% a year for the past five years.

Even more encouraging is the turnaround in U.S. per capita consumption of confectionery products. After declining for several years, it began to rise in 1981 and is expected to increase further this year.

New team members, all first-string *Life Savers* candy, sugarless gum and soft bubble gum are market-share leaders


NABISCO
SHREDDED
WHEAT
light
MILK-BONE
for
large
dogs
Dog Biscuits
The
Crunch
food

Other U.S. Food Products

(In millions)	1981	1980	1979
Sales	**$1,299.0**	$1,272.6	$1,244.0
Operating income	**$140.0**	$114.7	$101 7

This segment of Company operations encompasses the U.S. manufacture and distribution of a wide variety of food and beverage products, including cereals, nuts, margarines, dessert mixes, teas and pet snacks.

In 1981, Other U.S. Food Products recorded a 22% increase in operating income on a gain of 2% in sales, which were restricted by the 1980 peanut-crop shortfall.

Cereal Sales Up

During 1981, the share of market for *Spoon Size Shredded Wheat* climbed to an all-time high, while the market share for regular *Nabisco Shredded Wheat* rose to its highest level in four years.

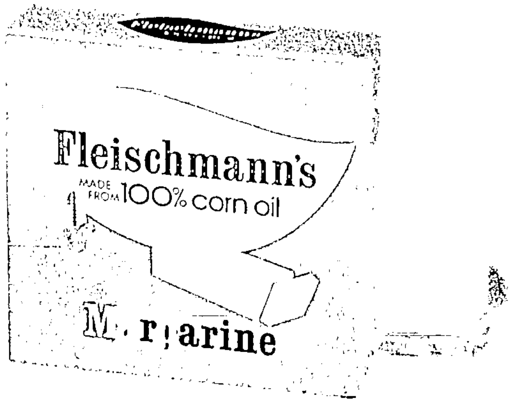
Milk-Bone Dog Biscuits broadened the margin of its market leadership in 1981. This was achieved, in the face of heightened competition, by means of a spirited advertising campaign and the national rollout of Cheese-Flavored *Milk-Bone*.

Plans for 1982 call for continuing increases in tonnage, sales and market share for ready-to-eat cereals and pet snacks. Tonnage and sales of hot cereals are expected to remain substantially the same in a relatively flat market.

New Margarine Product

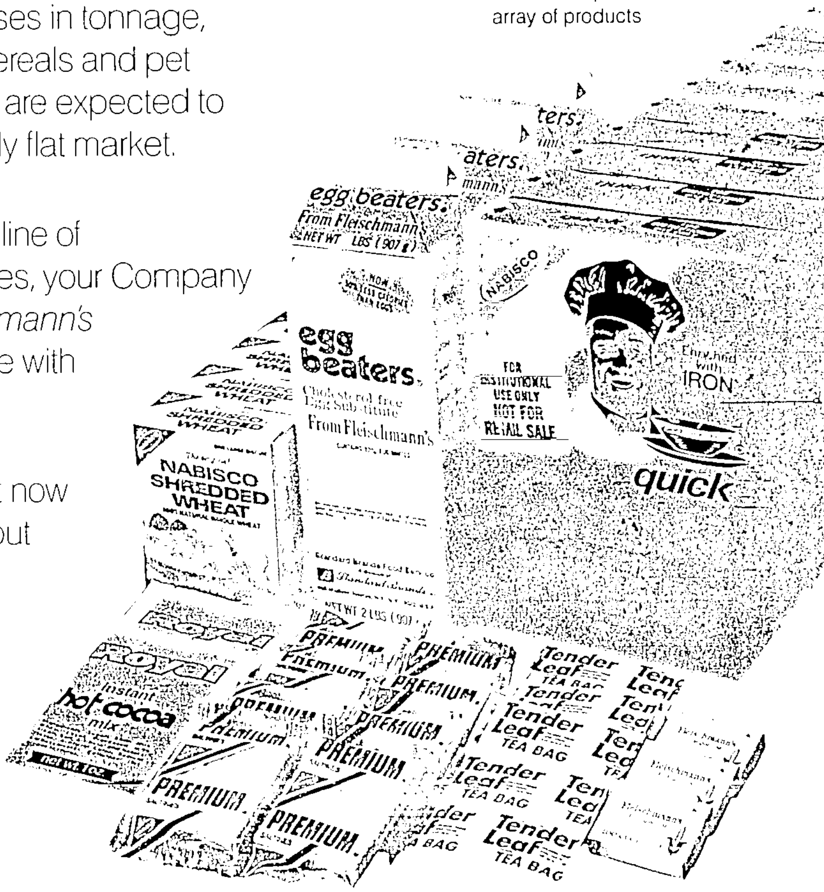
Already the market sales leader with a full line of *Fleischmann's* and *Blue Bonnet* Margarines, your Company went into test markets in 1981 with *Fleischmann's Sunburst*, the nation's first margarine made with 100% sunflower oil.

Margarine replaced butter as the most popular table spread several years ago—it now outsells butter four to one in food stores—but

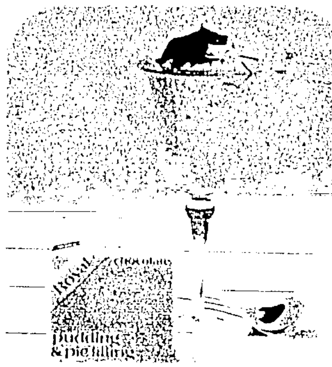


A full line of regular, soft and diet spreads has made Nabisco Brands the national leader in margarine sales

The corporate merger gives Food Service operations a comprehensive array of products



Cream of Wheat and *Shredded Wheat* on the shelf, *Blue Bonnet* on the table, *Milk-Bone* on the floor A Nabisco Brands family



Line extensions, marketing campaigns and new-product introductions keep *Royal* Dessert sales brisk

innovation through technology is essential if continued growth is to be generated in a market that recently has stabilized.

A similar market situation prevails in packaged desserts, and volume and profits in *Royal* Gelatins and Puddings are sustained through line extensions, new-product introductions and effective marketing programs.

Excellent Results for Nuts

Last year was a most unusual one for the Planters Division, which in 1981 celebrated its 75th anniversary.

The year began with a raw material shortage precipitated by the most severe peanut crop failure in a quarter of a century. By allocating the available supply, Planters ended 1981 with a modest gain in net sales, a moderate gain in dry-roast and oil-roast market shares, and an increase in operating income, all despite a decline in tonnage.

This outstanding performance was due in part to an aggressive marketing campaign launched late in 1981, after supplies had returned to normal.

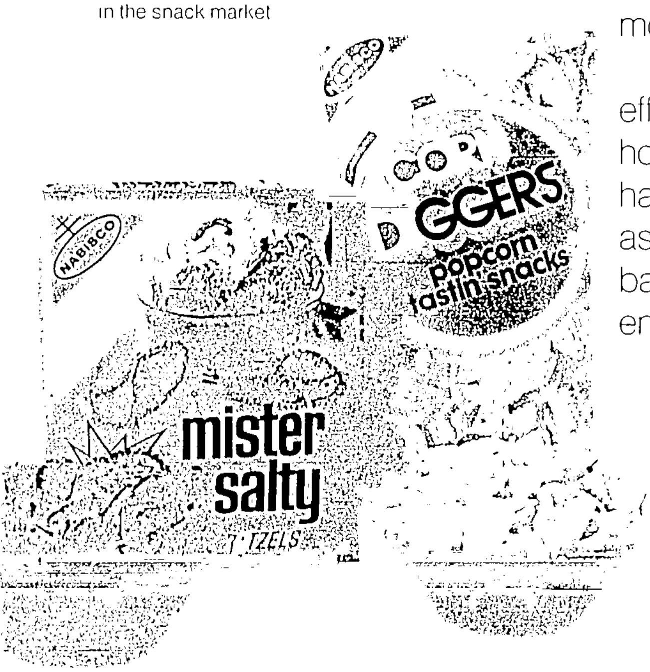
Also during 1981, Planters continued to expand its unique canister snack line. With consumer response highly favorable and with share of market on the upswing, the snacks went on sale in additional geographic areas and will attain national distribution in 1982.

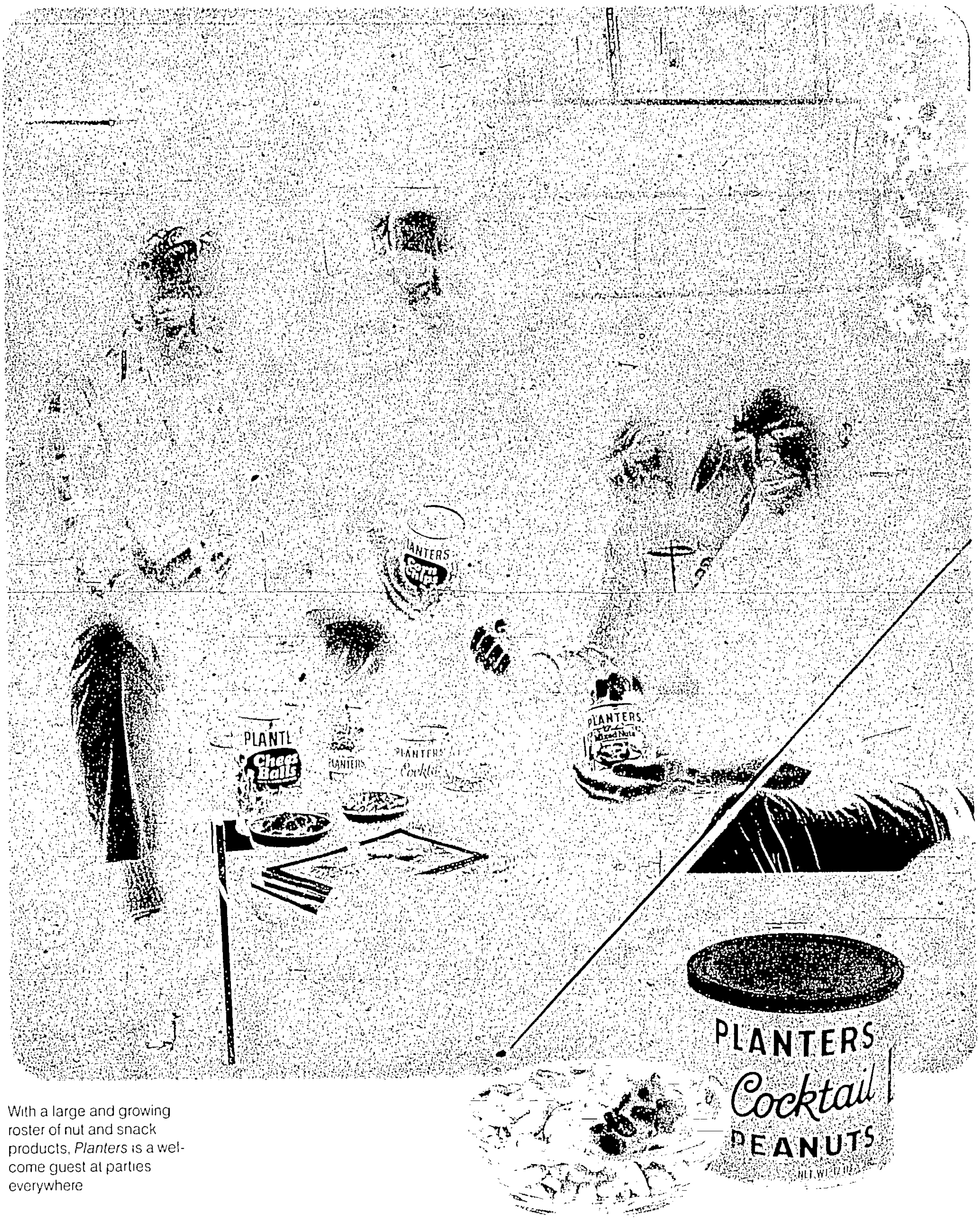
Food Service Outlook

Food Service sales and income decreased in 1981, as a result of a drop in coffee prices and economic difficulties for Food Service customers, including hotels, motels and in-plant eating establishments.

However, a turnaround is expected in 1982, as the effects of a merger-oriented consolidation begin to take hold. Prior to the merger, each component company had a limited range of Food Service products to offer. But as Nabisco Brands, we'll be able to provide a full line of baked goods, cereals, nut products, snacks and tea, enhancing our appeal to distributors and retailers.

Nabisco products like these and the *Planters* canister line give Nabisco Brands a major presence in the snack market





With a large and growing roster of nut and snack products, *Planters* is a welcome guest at parties everywhere

International Food Products

(In millions)	1981	1980	1979
Sales	**$1,745.4**	$1,737.0	$1,502.3
Operating income	**$140.2**	$129 6	$98.3

International Food Products registered gains in both net sales and operating income despite the adverse impact of a strong dollar against other currencies. Operating income was up 8%–to $140 million–on sales of $1.75 billion, up ½% from the 1980 amount.

Canadian Operations

By Geographic Area

(In millions)	1981	1980	1979
Sales	**$606.8**	$558.6	$477.4
Operating income	**$56.6**	$46.3	$38.4

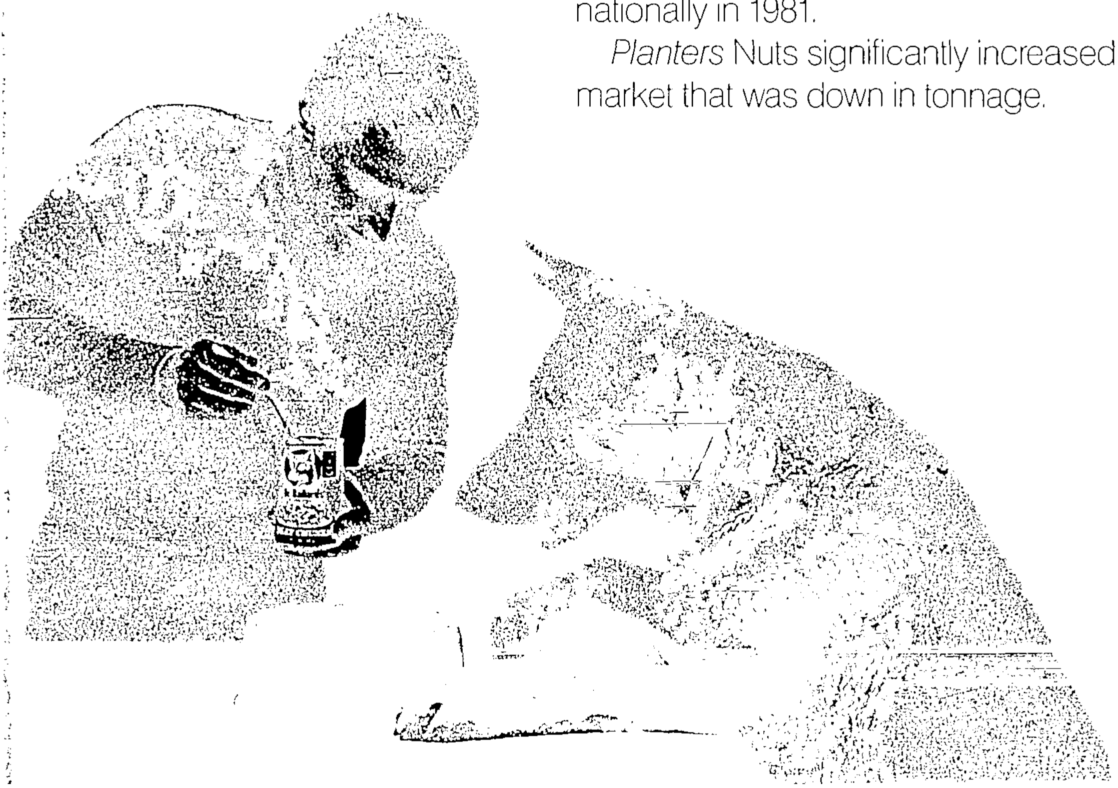
In 1981, your Company's net sales in Canada climbed by 9% and operating income rose by 22% on the strength of solid growth in tonnage and market shares for most products.

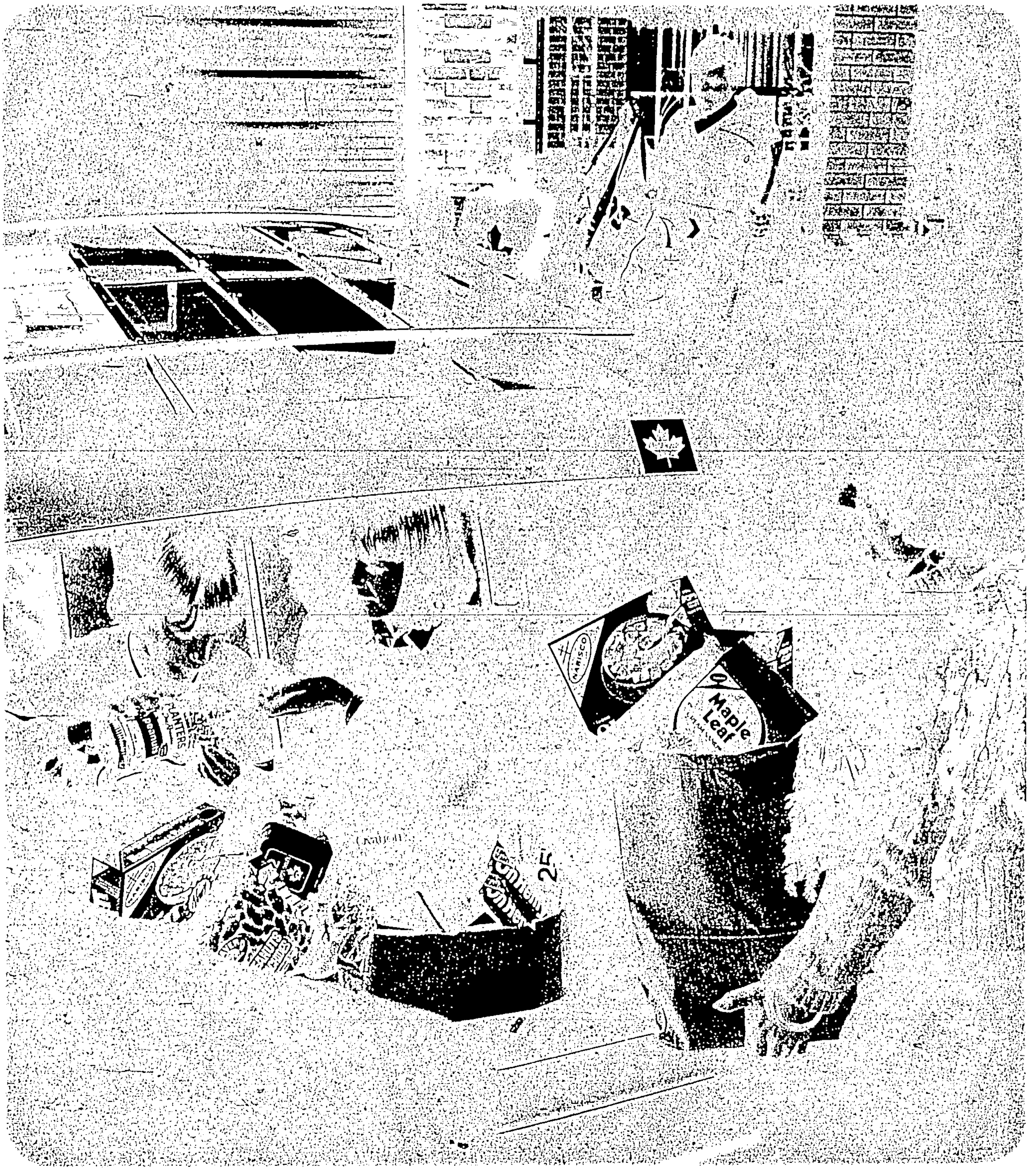
Outstanding gains were posted by Lowney Inc., which makes and sells confectionery products under various brand names. Top-selling brand for Lowney was *Oh Henry!*, which we manufacture and distribute in Canada and which has become that country's number one candy bar.

Boxed chocolates showed increased share and volume, led by *Pot of Gold* and *Ovation*, a mint stick introduced nationally in 1981.

Planters Nuts significantly increased share and profits in a market that was down in tonnage.

Dr. Ballard's Dog Food, *Miss Mew* Cat Food and *Milk-Bone* Dog Biscuits make us first in pet food sales in Canada





Nabisco Brands is a leading food and beverage company in Canada.

Leader in Cookies, Crackers

During the year, we increased our Canadian market shares in cookies and crackers, widening our margin as the category leader.

Our share of the cereal market remained stable, and a new product called *Bran Bites and Raisins* did exceptionally well.

Although there was a slight decline in our share of the pet snack market, we retained our dominant position as market leader. Both *Dr. Ballard's* Dog Food and *Miss Mew* Cat Food were up in sales and earnings.

We continued as Canadian market leader in margarines and baking aids, with *Fleischmann's* Margarine posting a solid increase in sales and *Chipits* Baking Chips maintaining their number one position in a growing category.

Our spirits and wines operation in Canada had a 24% increase in sales. *Schloss Laderheim*, a Calona Wine product introduced in 1976, continued to be Canada's fastest-growing white table wine. Also gaining in sales were McGuinness' *Silhouette* Vodka and *Silk Tassel* Whisky.

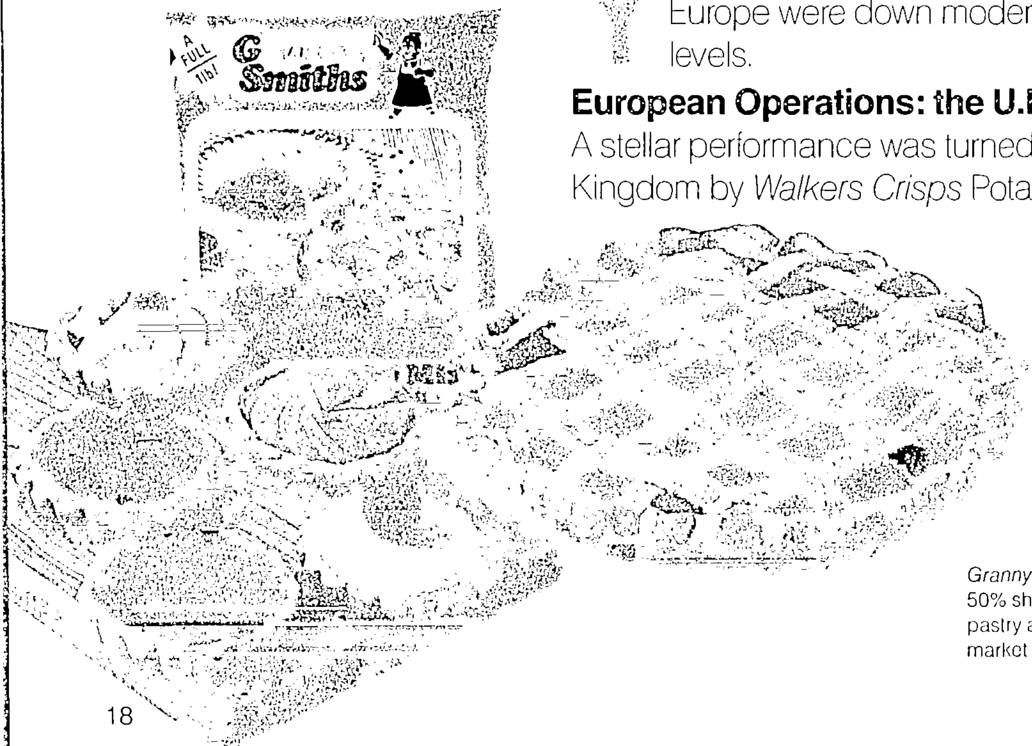
European Operations

By Geographic Area			
(In millions)	**1981**	1980	1979
Sales	**$867.6**	$951.4	$837.9
Operating income	**$59.9**	$69 5	$53.3

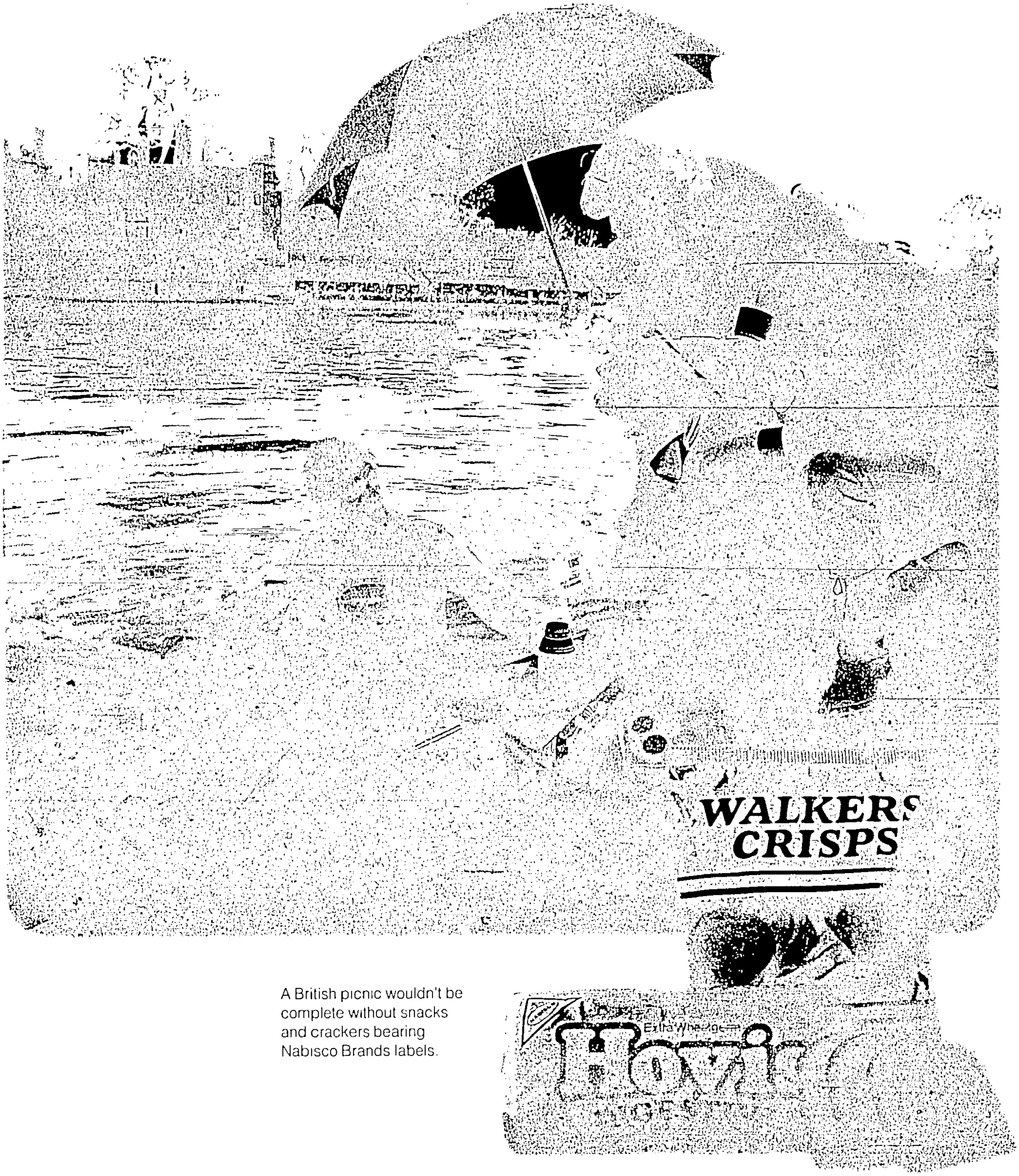
Your Company's 1981 sales and operating income in Europe were down moderately from the year-earlier levels.

European Operations: the U.K.

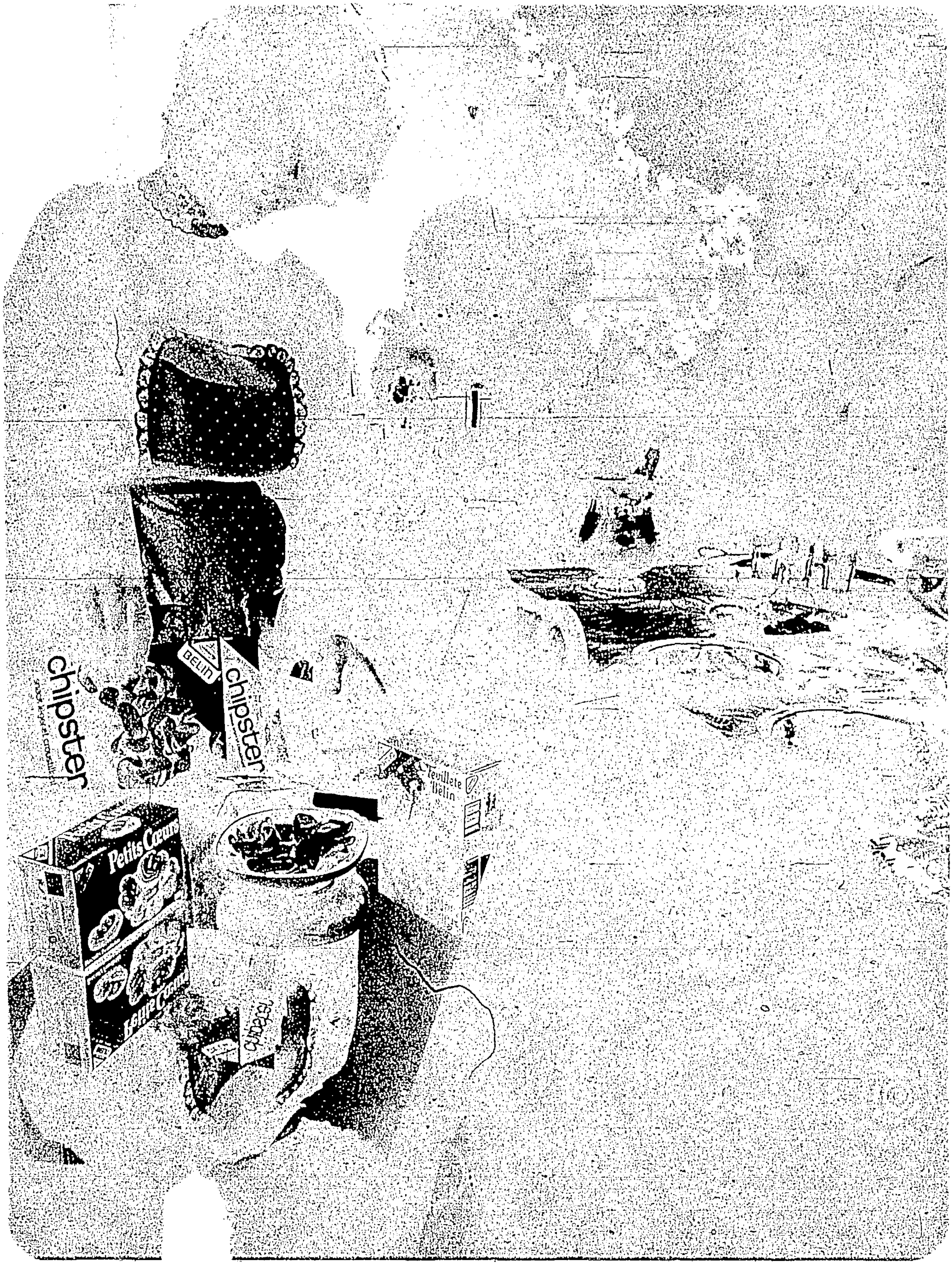
A stellar performance was turned in again in the United Kingdom by *Walkers Crisps* Potato Chips, which posted a



Granny Smiths recorded a 50% share gain in the U K pastry and cake-mix market



A British picnic wouldn't be complete without snacks and crackers bearing Nabisco Brands labels.


chipster
BELIN
chipster
Petits Cœurs
Feuillete Belin

substantial increase in tonnage along with gains in both earnings and market share. In response to the heightened demand, we rolled out distribution into two additional English markets and began construction of a new *Walkers Crisps* plant in Leicester.

Under severe competition, *Planters* Nut sales and market position in the U.K. held firm. Improved results for *Planters* products are anticipated for 1982.

Crackers Did Well

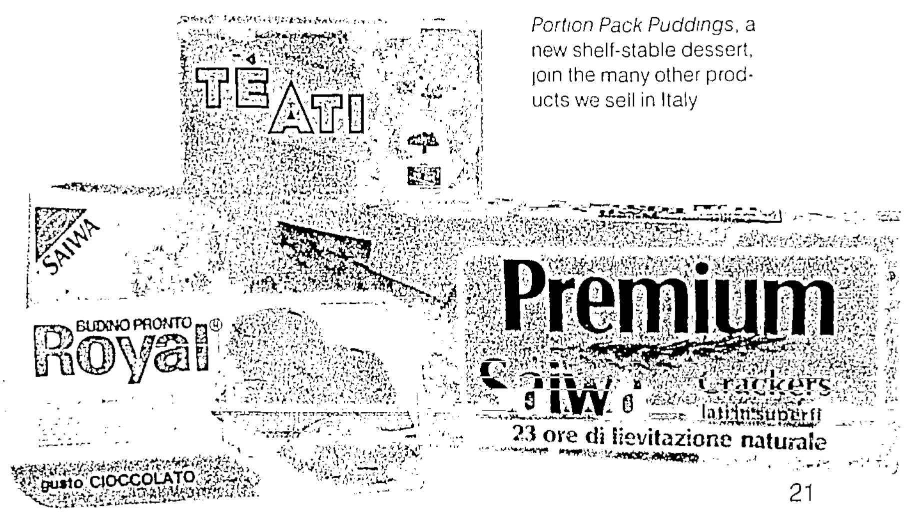
In a dessert mix and sweet goods market that has softened somewhat in recent years, our brands did relatively well. However, we put more emphasis on the cracker end of the bakery products business in the U.K. In response, *Ritz* showed considerable strength and *Hovis Digestive* Biscuits, introduced in 1980, continued to gain in both sales and market share.

Our plans call for the test-marketing of several new cracker and ready-to-eat cereal products in the U.K. during the current year.

European Operations: the Continent

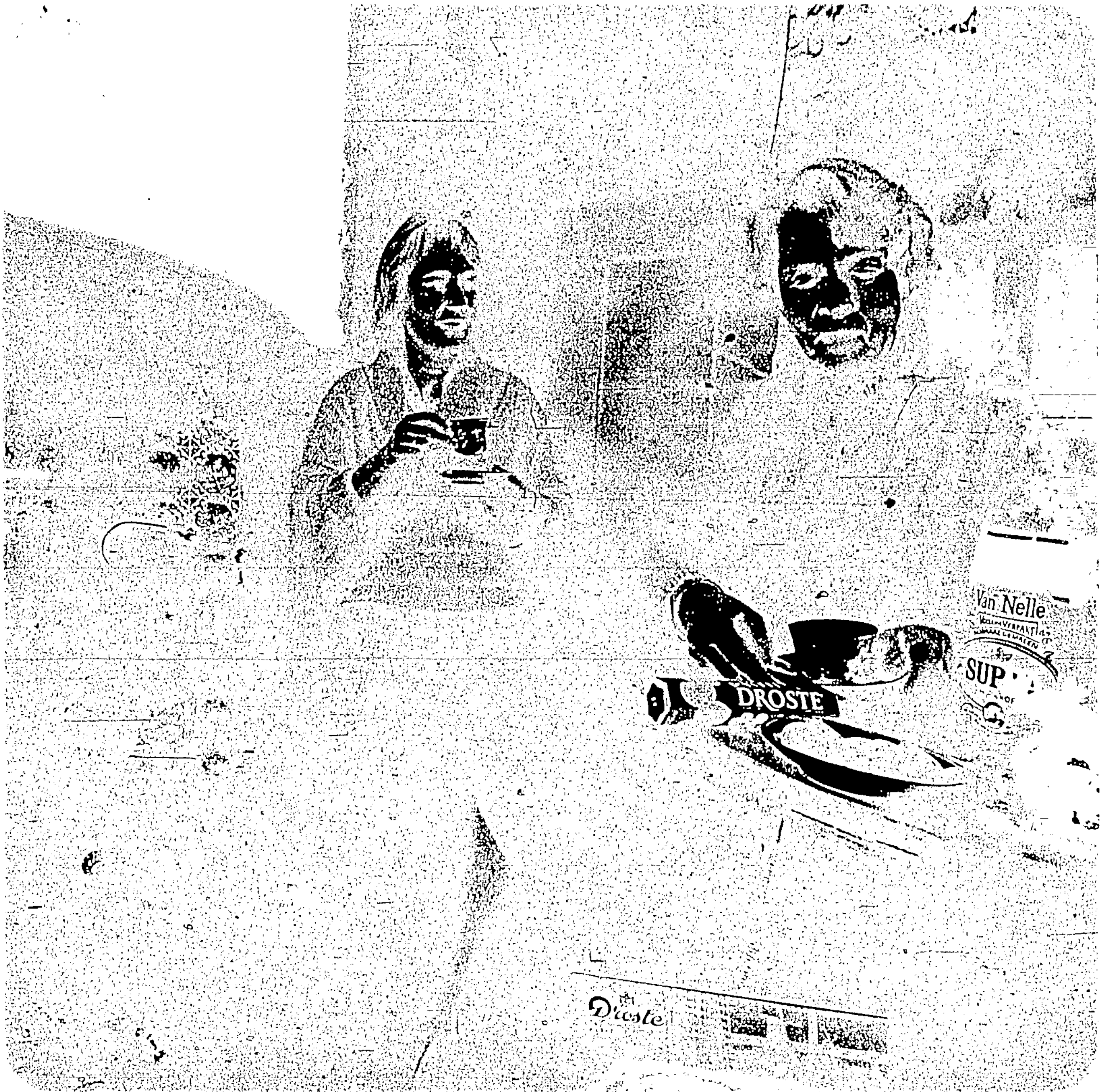
Van Nelle, our Netherlands company that celebrates its 200th anniversary in 1982, recorded good tonnage gains last year in coffee and *Droste* Chocolate products.

Van Nelle also undertook the Netherlands distribution of *Planters* Dry-Roast Peanuts and increased its export activity, with the *Droste* line moving into more outlets in the rest of Benelux and in other countries.



Portion Pack Puddings, a new shelf-stable dessert, join the many other products we sell in Italy

More and more dinner tables in France display the products of Belin, whose sales keep breaking records



Good chocolate is at home in the Netherlands but we plan to export more *Droste* Chocolate to other countries.

Record Tonnage for Belin

In France, our baked-goods company, Belin, achieved record tonnage along with a substantial gain in share of market. Its *Petits Coeurs* Biscuits, new in 1980, continued to move up rapidly in sales. *Chipster* Snacks did so well that a major new production facility, which went into construction during the preceding year, was completed and put into operation ahead of schedule.

Belin also expanded the export end of its business, particularly in the U.S., where Belin biscuits are beginning to attract consumer attention in the gourmet sections of supermarkets.

New Products for Italy

Our two companies in Italy recorded substantial gains in tonnage and income, partly on the strength of product innovation and market expansion.

We introduced a new product in Italy called *Portion Pack Puddings*. These are shelf-stable, prepared desserts–in a variety of sizes and flavors–that, because of an aseptic preparation process, require no refrigeration. We plan to export the product or the technology, or both, as market conditions warrant.

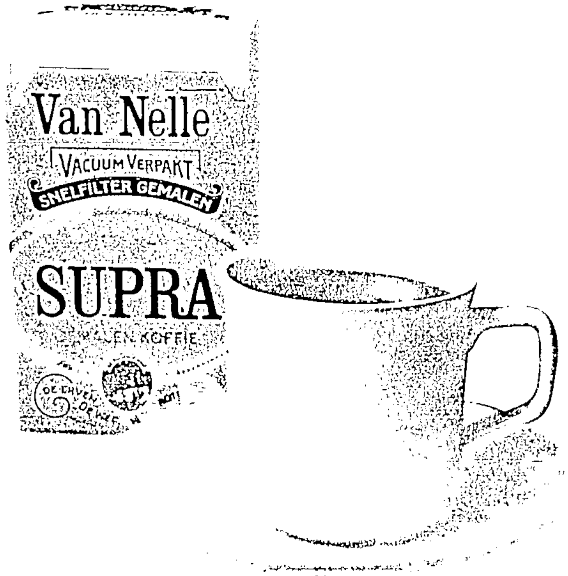
Also in 1981, we improved our strong position in Italy in salted biscuits, with *Premium* a mainstay of the line, and we began distributing a product based on *Petits Coeurs* under the name of *Doré*.

We coordinated warehouse and production facilities at Liscate, Italy, in what is widely recognized as one of the country's most efficient industrial complexes. We also launched a program to expand our capacity to make cookies and crackers.

Operations in Spain

Planters products went into distribution in Spain through Industrias Reira-Marsá, which is the country's leading producer of puddings and desserts. In addition, we signed an agreement to acquire the final 25% of Galletas Artiach, a major cookie and cracker processor in which we previously held a 75% interest.

Van Nelle, which markets *Droste* products, coffee and tobacco, celebrates its bicentennial in 1982.



Coffee is among the Van Nelle consumer products that registered sales increases in 1981

Asia-Pacific and Other Operations

By Geographic Area

(In millions)	**1981**	1980	1979
Sales	**$162.1**	$140.6	$113.7
Operating income	**$7.1**	$4.9	$2.7

Both net sales and earnings in the Asia-Pacific area were up substantially in 1981.

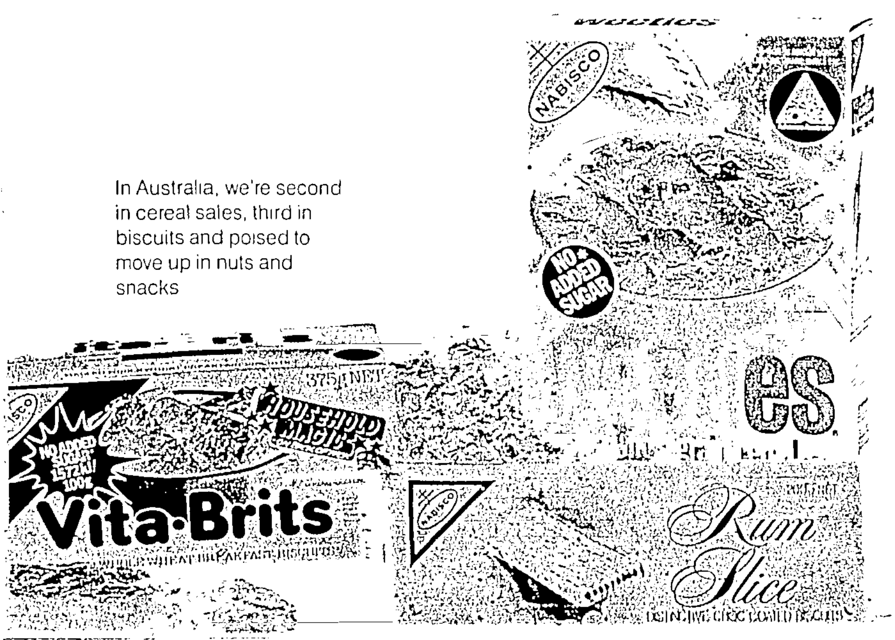
A significant achievement was the transfer of all Asian stackable potato chip production into our operation in Singapore. With equipment from the U.S., Singapore will soon begin supplying this product to much of the Eastern Hemisphere.

In Australia, where Nabisco Brands ranks second in cereal sales and third in biscuit sales, plans were made to expand *Planters* Nut distribution, to develop a snack category and to introduce a new dry cereal, all in 1982. We are also going into the gift container business through the 1981 purchase of Mac's Shortbread Company.

Growth in Australia, New Zealand

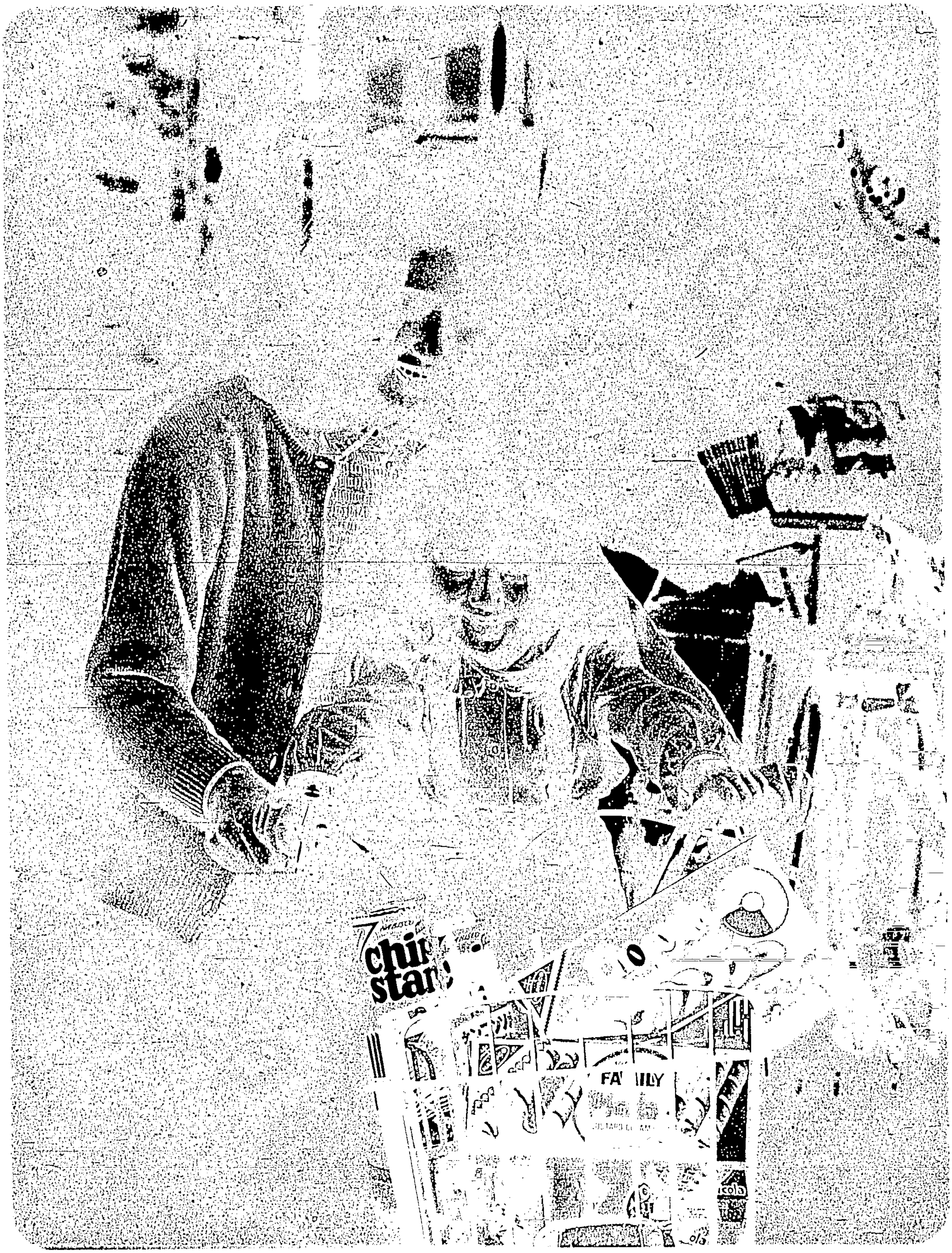
There were excellent gains in sales last year in both Australia and New Zealand. In New Zealand, we solidified our number one market position for biscuits and non-chocolate confectionery products.

Our Japanese unconsolidated affiliate, Yamazaki-Nabisco, did exceptionally well in 1981 with a cookie product called *Picola*, which is now being exported to Australia and the U.S. There were market-share gains for Yamazaki-Nabisco's *Chipstars*, a snack product, and for cookies, including *Chips Ahoy!* and *Nabisco* Butter Cookies.

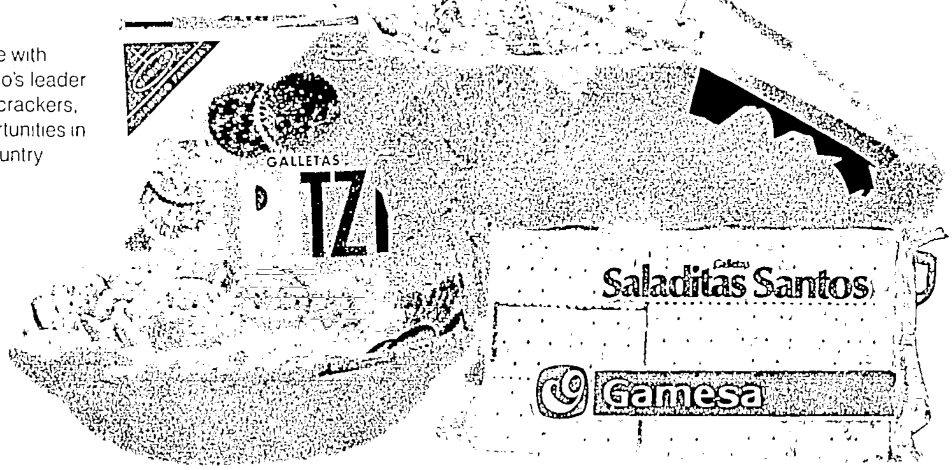


In Australia, we're second in cereal sales, third in biscuits and poised to move up in nuts and snacks

Picola, a rolled wafer, is so popular in Japan that it is now being exported to the U.S. and Australia


FAMILY

Our joint venture with Gamesa, Mexico's leader in cookies and crackers, opens up opportunities in that growing country



Latin American Operations

By Geographic Area

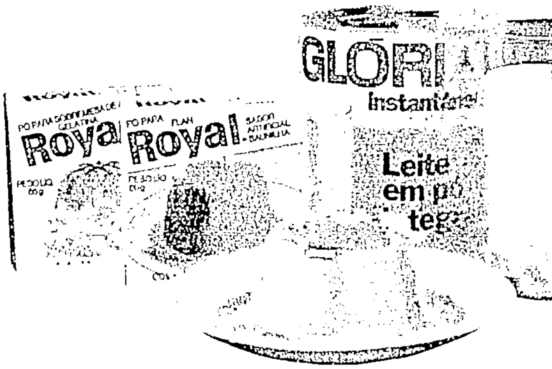
(In millions)	**1981**	1980	1979
Sales	**$345.9**	$307 5	$261 6
Operating income	**$53.6**	$39.7	$26 7

The Western Hemisphere south of the Rio Grande was highly productive for Nabisco Brands in 1981, with outstanding performances recorded in South America.

Already the market leader in much of South America for a long list of consumer products, including yeast, baking powder and dessert mixes, we began moving into new categories. Among them: sterilized cream and sweet and condensed milk in Brazil, ice cream mixes in Argentina, Uruguay and Chile, and mousse products in Argentina and Uruguay.

In addition, your Company plans to start distribution of ice cream mixes in Venezuela, Colombia, Ecuador and Peru and is looking into the possibility of introducing bakery products from our plants in the U.S. into Chile.

To keep up with demand, we have launched a major program of plant purchases and construction. Among projects completed last year were the acquisition of a plant in Vicente Lopez, Argentina, for production of dessert and drink mixes, and the construction of a cream and milk plant in Itaperuna, Brazil.



Dairy products have joined dessert mixes, yeast and baking powder on our list of Latin American favorites

More Plants on the Way

Plans were made to erect our fourth South American yeast plant, this one in Jatarzinho, Brazil; to put up a new office building and warehouse in Palmira, Colombia, and to find a site in Ecuador for a dessert mix plant.

Although sales and operating income showed little movement in Central America, we made excellent progress there in integrating plants and warehouses and expanding the distribution of Company products.

Our acquisition of a 30% interest in Gamesa, the Mexican leader in cookie and cracker sales, was an especially significant development. By opening up facilities not only for manufacturing but for the distribution of Nabisco Brands products made elsewhere, it affords an outstanding opportunity for growth throughout this region.

Other Consumer Products

(In millions)	**1981**	1980	1979
Sales	**$581.2**	$543.0	$458 1
Operating income	**$48.3**	$44.7	$36 5

This segment of Company operations, consisting primarily of the Beverage (U.S. and Canadian) and Specialty Products Groups, posted a 7% increase in net sales in 1981 and an 8% increase in operating income.

Beverage Group Consolidates

Last year was one of consolidation in the Nabisco Brands U.S. Beverage Group as it responded to the American consumer's growing preference for wines and imported beer over spirits.

The Group's All Brand Importers signed an agreement to become the exclusive American distributor of *Carlsberg* Danish Beer and *Carlsberg* Elephant Malt Liquor.

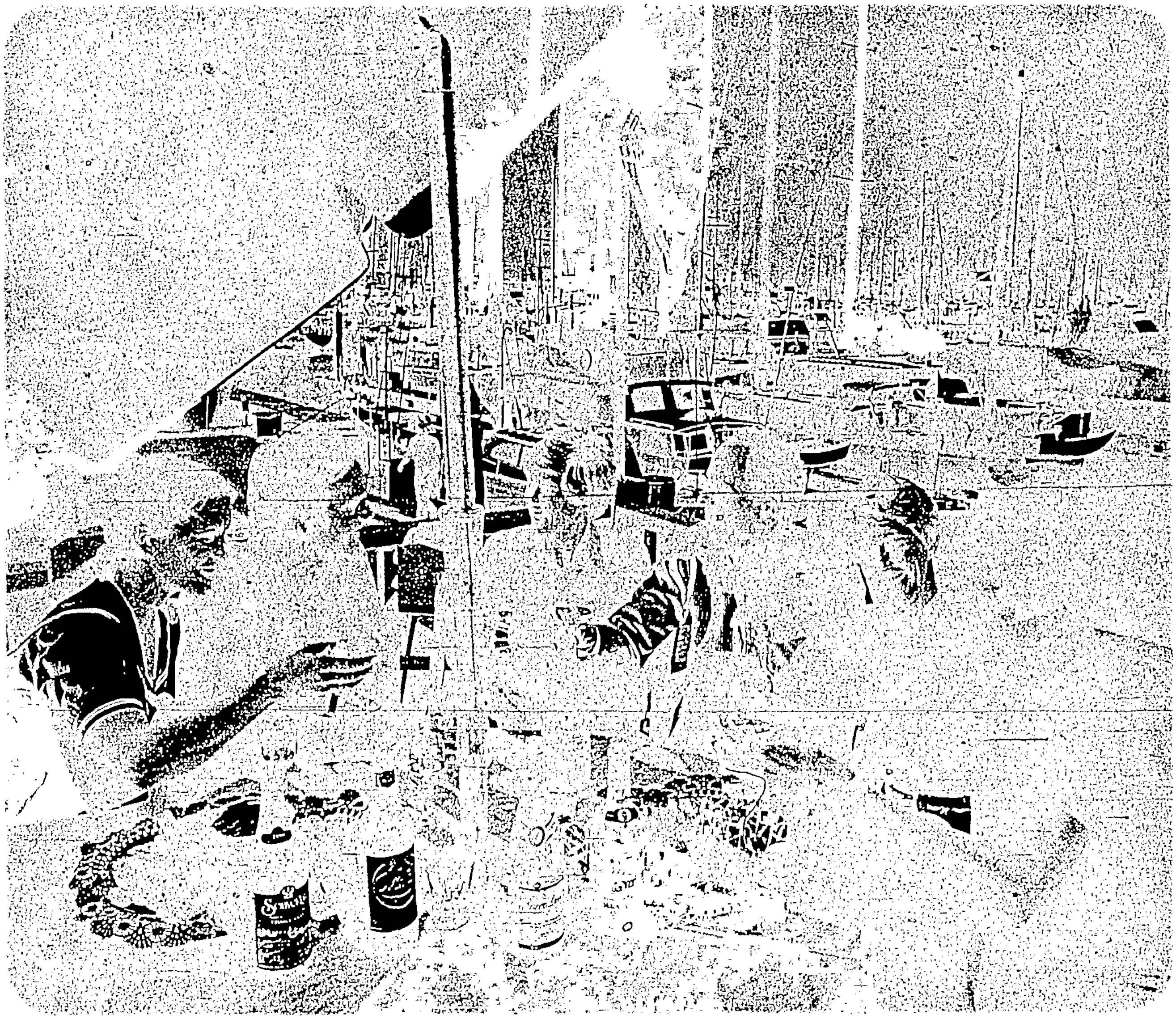
Meanwhile, All Brand's *Moosehead* Canadian Beer became the third-biggest-selling imported beer in the U.S., as well as the fastest-growing import. *Foster's* Lager Australian Beer and *Dos Equis* Mexican Beer recorded their biggest year ever.

Dry Sack Spanish Sherry, spurred by an effective advertising campaign, ended 1981 with a strong fourth quarter. Liqueurs, paced by *Amaretto Di Amore*, fared extremely well in a growth market.

Also recording sales increases were *Dunphy's* Original Cream Liqueur, *Chase & Sanborn* Coffee Liqueur and *Metaxa 7-Star* Specialty Liqueur Brandy.

During the year, the Group renewed its import agreements for *Benedictine D.O.M* and *B&B* Liqueur *D.O.M.*

We added *Carlsberg* Danish Beer and Elephant Malt Liquor to our imported beers, which outgained other imports.



The Company renewed contracts to import *Antinori* Italian Wines, *Deinhard* German Wines and *Bollinger* Champagne.

Dunphy's Original Cream Liqueur is a newcomer to the U S. Beverage Group's inventory of distinguished products

The Beverage Group put more emphasis on wines, which are growing in popularity among consumers.

New Strategy for Spirits

In response to market shifts, the Beverage Group reduced its whiskey inventory and revised the positioning of various spirits brands. Under the stimulus of new pricing and packaging, sales of *Fleischmann's* Gin began moving up after a 1980 decline. *Canadian LTD* Whisky registered a solid sales gain, becoming one of the leading Canadian brands in the U.S. *Inver House* Scotch gained market share in a declining category.

For 1982, the Group sees a continuation of last year's market trends, with wines outselling spirits in gallonage by a widening margin and with spirits, except for liqueurs, remaining flat. Beer sales should climb again, as imports outgain other beers and our brands outgain other imports.

Inventory reduction of aging whiskeys will proceed. A good return is anticipated as we become much less investment-intensive.

Turnaround in Toiletries, Pharmaceuticals

There was a significant 1981 turnaround in the performance of J.B. Williams toiletries and pharmaceuticals, with operating income up both in the U.S. and overseas. Particularly notable was the resurgence of major branded items, especially *Aqua Velva*, *Vivarin* and *Geritol*.

Good results were also posted for *Hygiene* Shower Curtains, while *Everlon* Draperies and Fabrics showed improvement in 1981's second half.

Our toiletries and pharmaceuticals had a good year, in both domestic and overseas operations

Food Ingredients

(In millions)	**1981**	1980	1979
Sales	**$514.9**	$495.4	$388.7
Operating income	**$54.0**	$60.9	$17.4

Overcapacity and a decline in sugar prices combined in 1981 to depress the results for our Clinton Division's High Fructose Corn Syrup (HFCS), an industrial sweetener that competes with sugar. As a consequence, Food Ingredients experienced an 11% reduction in operating income on a 4% gain in net sales.

Your Company has taken steps to bring our HFCS production more in line with demand by curtailing production at the Montezuma, N.Y., plant. However, a further drop in income is anticipated for 1982.

There were gains in 1981 for other Clinton products, including animal feeds and starches. Although these increases were considerable, they were insufficient to offset the effects of the HFCS decline.

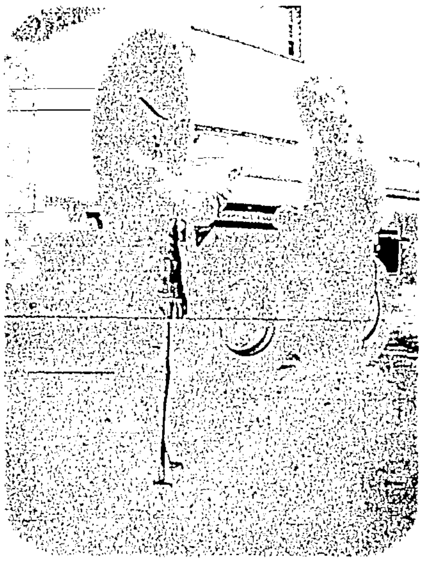
Gains in Bakery Ingredients

Also during 1981, the Bakery Ingredients Division completed its restructuring. It discontinued the national distribution of bakers yeast and began to limit production and distribution to the West Coast.

The move enabled your Company to shut down two marginal plants–those in Chicago and Dallas–and concentrate the production of all yeast in the two remaining yeast plants, in Oakland, Cal., and Sumner, Wash. As a result of the ensuing cost reductions, Bakery Ingredients experienced a sharp increase in operating income and expects to post further gains in 1982.

Vinegar Income Up

The Vinegar Division also had an excellent year, with a substantial rise in both net sales and operating income. The Division looks forward to continued solid growth this year.



Our Clinton Division supplies industry with alcohol, animal feeds, dextrose, starches and High Fructose Corn Syrup

Research and Development

Technology is a key element in the growth of Nabisco Brands. By combining the strengths of both merger companies, the Corporate Technology Group has one of the strongest research and development capabilities in the food industry.

The Group has over 200 scientists–80 of them with advanced degrees–plus some 175 support personnel.

Most of the staff is situated in your Company's major Research Centers, in Wilton, Conn., and Fair Lawn, N.J. These are two of the most modern and best equipped food research facilities in the world, and they now operate as a single, cohesive organization.

A Threefold Assignment

The Group is responsible for the Company's worldwide technological activities. Its mission is threefold:

1. To ensure the nutritional value, wholesomeness and health benefits of Nabisco Brands products.

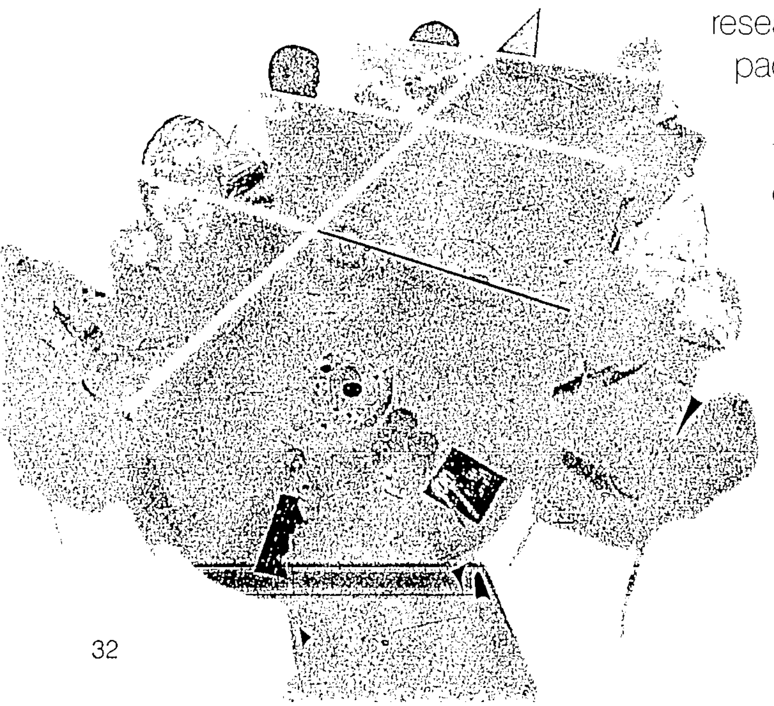
2. To provide the core technologies required to maintain Company leadership in production and marketing of foods, food ingredients, beverages and other consumer goods of highest quality and value.

3. To create new products, through technological innovations, for the future growth of your Company.

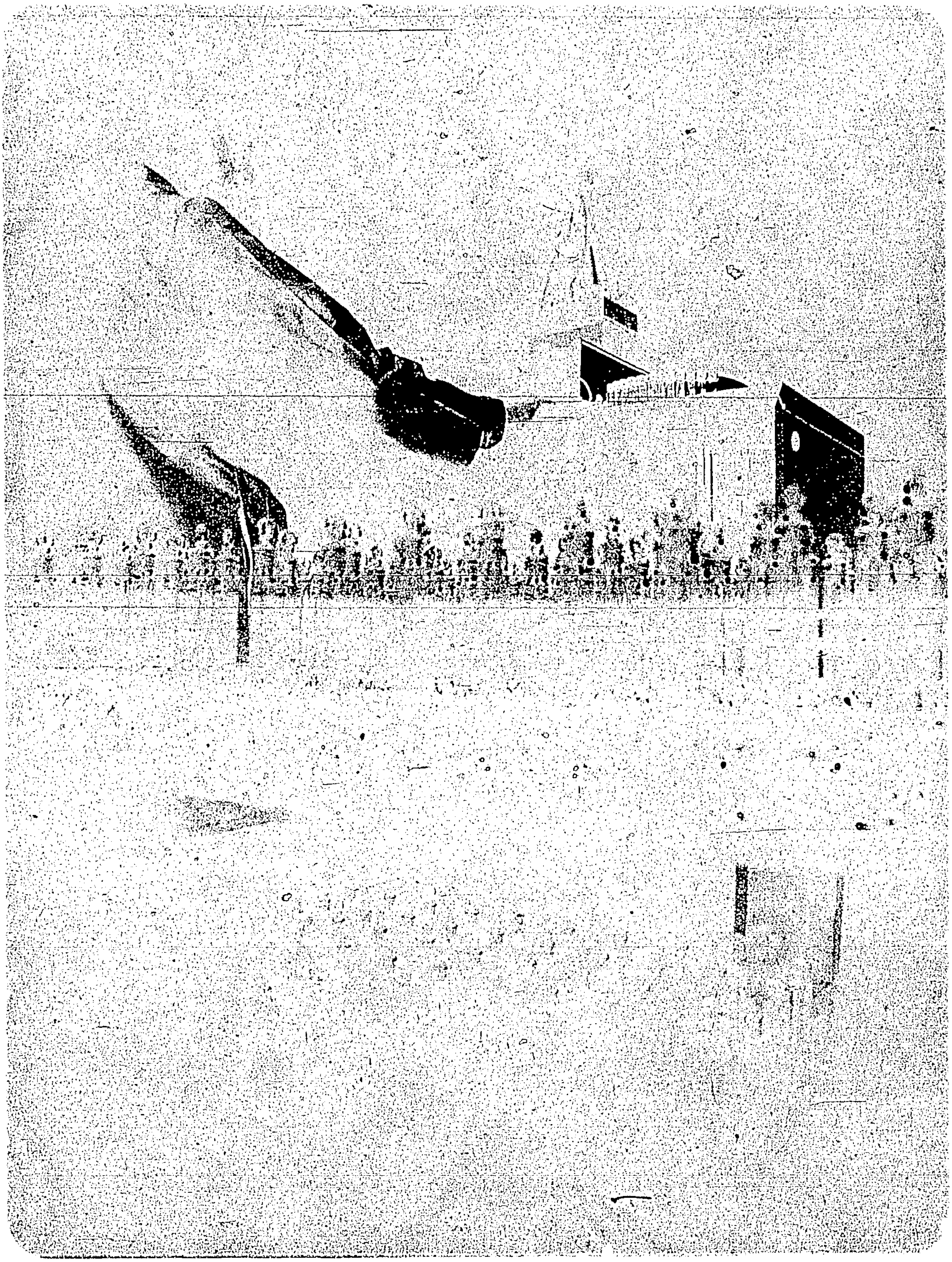
Basic research of the Group includes genetic engineering, fermentation technology, grains and cereals. Applied research activities cover product, process, packaging and equipment development.

The Corporate Technology Group is poised to capitalize on the challenging growth opportunities of the 1980's.

Food-tasting panels help new-product teams arrive at formulations that will appeal to the public



Laboratories in Wilton, Conn., and Fair Lawn, N.J., provide the technology that makes us a leader in research and development



Net Income and Dividends Per Common Share

Net income per common share increased at a compound annual rate of approximately 12% during the five-year period, ranging from $2.37 in 1977 to $4.21 per share in 1981.

Dividends per common share have increased in each of the last five years, rising from $1.24 in 1977 to $1.77 per share in 1981. The common dividend payout ratio ranged from 42% to 52% during this period. At the beginning of 1982, the annual dividend rate was increased to $2.05 per share.

Capital Expenditures and Depreciation

Capital expenditures have increased in each of the last five years. This reflects Nabisco Brands' commitment to growth, efficiency and maintenance of quality for our manufacturing, research and distribution facilities. Expenditures in 1981 totaled $252 million, including $59 million for U.S. Bakery Products and $69 million for the International Food Products segment.

Return on Average Common Shareholders' Equity

The 19% return on average common shareholders' equity in 1980 and again in 1981 represents one of the highest rates of return of any consumer products company.

Book Value Per Common Share

Book value reached $23.94 per common share at year-end 1981, reflecting increases in each of the last five years. Book value per common share represents the Company's shareholders' equity, excluding preferred stock amounts, divided by the common shares outstanding at year-end.

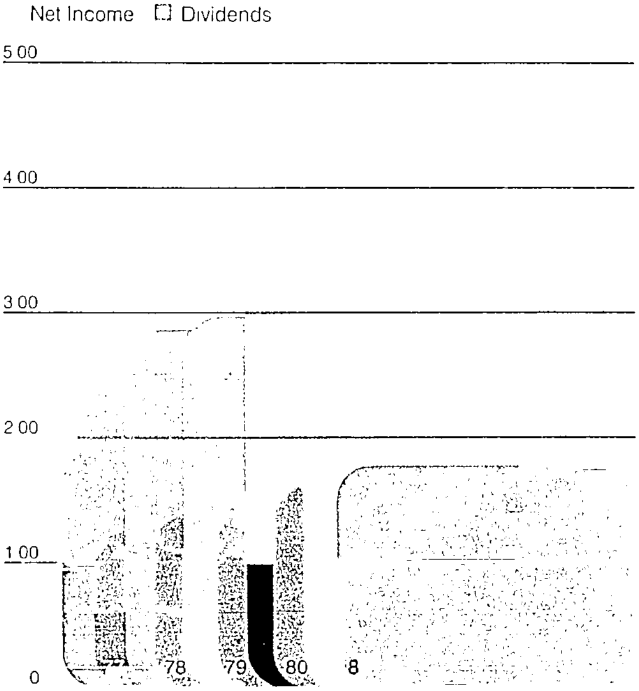
Net Sales by Business Segment (page 36)

The Company's worldwide operations are composed of six business segments. Net sales of $5,819.2 million in 1981 reflected an increase of 54% since 1976, or a compound annual growth rate of approximately 9% over the past five years.

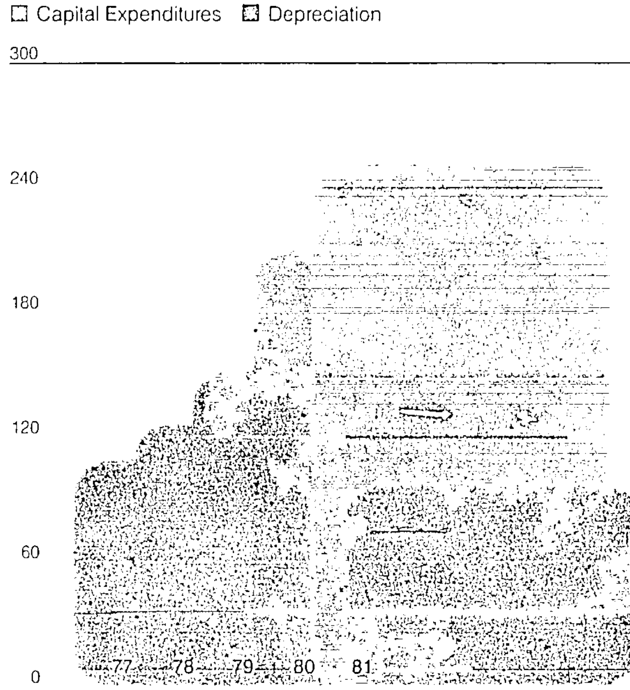
Net Sales by Geographic Area (page 36)

Net sales for all business segments in the U.S. have equaled approximately two-thirds of total net sales during the past five years. Other major areas include Europe, Canada and Latin America.

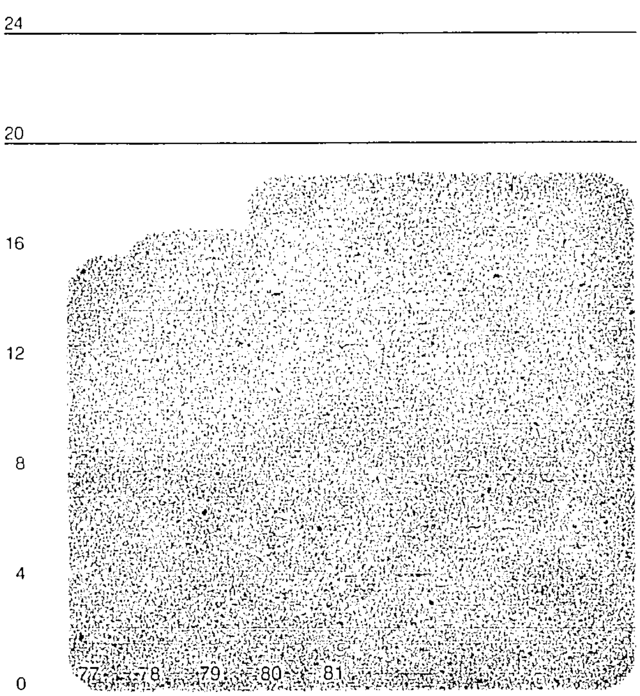
Net Income and Dividends Per Common Share *(Dollars)*



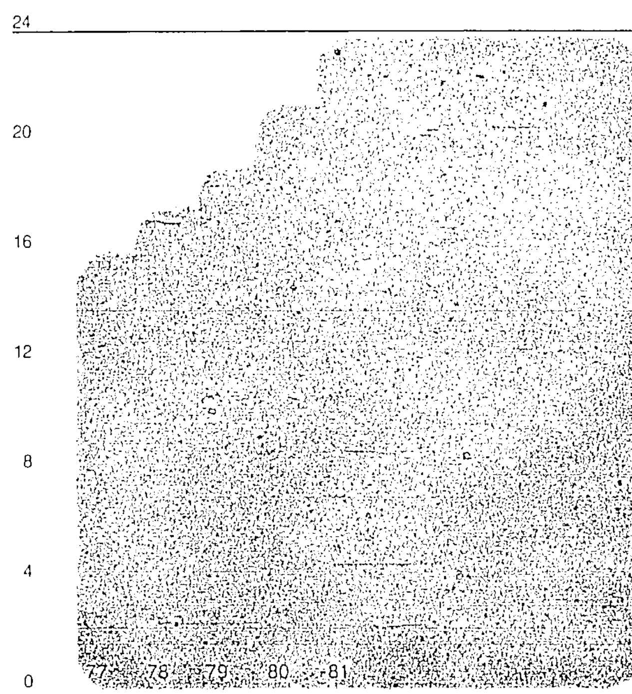
Capital Expenditures and Depreciation *(Millions of dollars)*



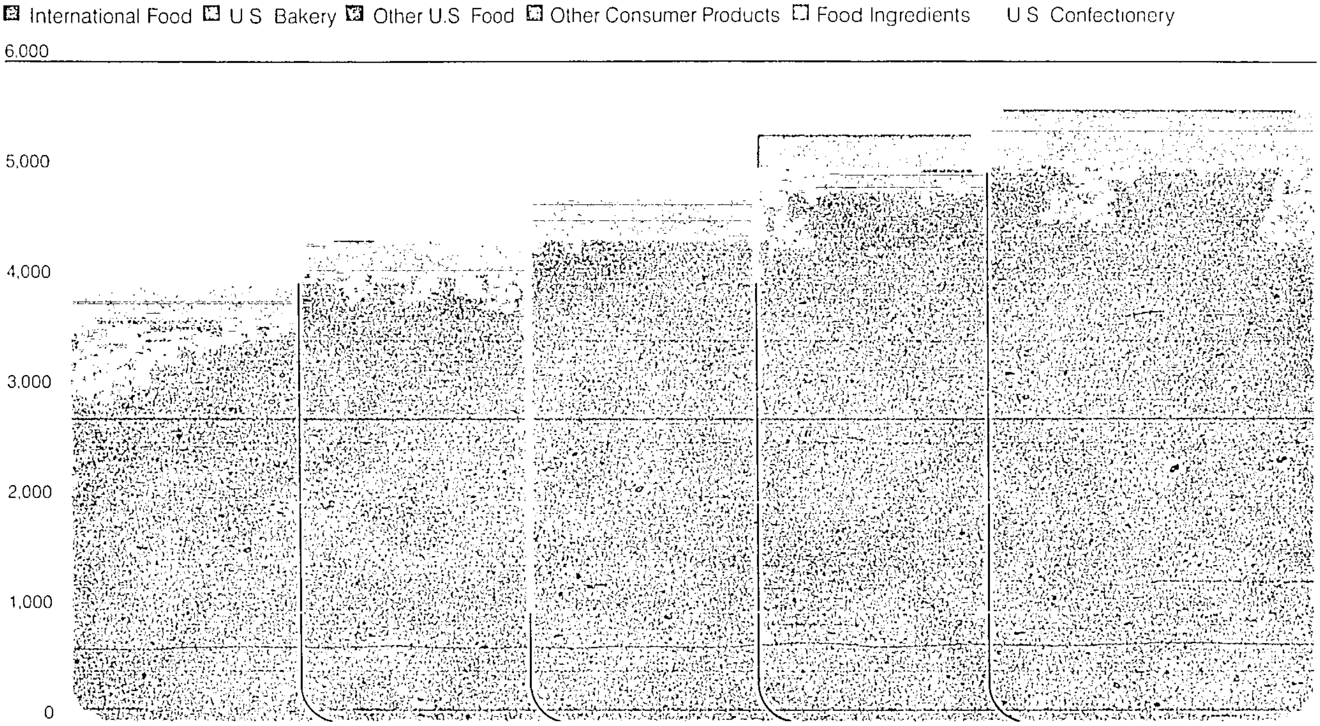
Return on Average Common Shareholders' Equity *(Percent)*



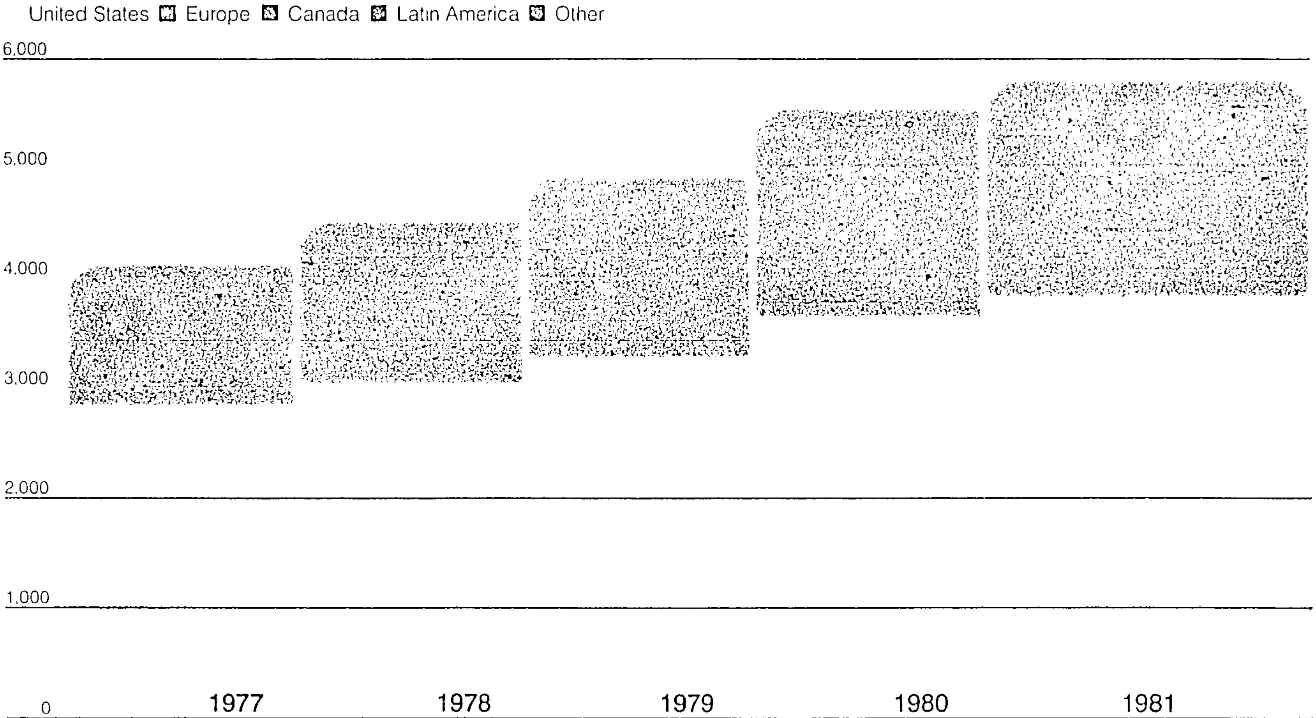
Book Value Per Common Share *(Dollars)*



Net Sales by Business Segment *(Millions of dollars)*



Net Sales by Geographic Area *(Millions of dollars)*



NABISCO BRANDS INC

1981 Operations Compared with 1980 Operations

The Company's net sales in 1981 were $5,819.2 million, an increase of $232.0 million, or 4%, over 1980. The sales gain would have been higher were it not for the U.S. dollar's rise against other currencies, which limited the growth of international sales. Consolidated operating income rose 10% to $553.1 million, reflecting improved operating margins, principally due to moderating commodity costs.

U.S. Bakery products achieved outstanding sales growth in 1981, up 12%. While price increases contributed significantly to these gains, there was volume growth in many areas, particularly for *Chips Ahoy!* Chocolate Chip Cookies and the newly introduced *I Screams* Sandwich Cookie line. Cracker sales improved, led by *Premium* Saltines, *Ritz* Crackers, and the newly introduced *Better Cheddars* Snack Crackers. Higher sales levels and moderating ingredient costs improved the segment's operating income by 16%.

U.S. Confectionery sales and earnings were slightly lower in 1981 due to sharply higher production costs and competitive market conditions that particularly affected *Baby Ruth* and *Butterfinger* Candy Bars. However, the *Chuckles* line and Rainbow Coatings home candy line performed well. The 1981 results do not include Life Savers, Inc., which was acquired at the end of the year.

The Other U.S. Food operations achieved a minor increase over the sales level in 1980, but earnings increased 22%. Strong sales gains were achieved by the *Nabisco* Shredded Wheat Cereal line, while volume declines affected the *Planters* Nuts and *Fleischmann's* Margarine lines. Favorable price/cost factors in the *Planters* operations and continued leadership in the margarine markets, partially offset by weakness in the food service coffee business, contributed to the earnings improvement.

International Food sales were up slightly in 1981, despite the significant adverse effect of a strong U.S. dollar versus other currencies. Earnings were up 8%, due to particularly good results for dessert and powdered drink mixes in Latin America, coffee, confectionery and pet foods in Canada, and improvements in the *Walkers Crisps*, *Droste* Chocolate and biscuit lines in Europe.

Sales of the Food Ingredients segment increased 4% over 1980. Results of this segment declined as the year progressed due to the adverse impact of declines in sugar prices on the corn sweetener business. Food Ingredients' 1981 operating income declined 11% from the prior year, primarily due to declining prices for *Isomerose* Brand High Fructose Corn Syrup (HFCS). Usage by the soft drink industry declined in 1981 and precipitated even stronger price competition among the corn sweetener producers.

Other Consumer Products had a 7% sales improvement and an 8% increase in operating income for the year. Operating efficiencies were achieved by the toiletries and pharmaceuticals sector, contributing to an earnings recovery. The U.S. imported beer business, led by *Moosehead*, continued its strong growth during the year.

Interest expense was somewhat lower than the amount recorded in 1980, despite the continued high short-term borrowing rates, reflecting a reduction in the average borrowings during the year.

Miscellaneous expense, net, totaled $13.8 million in 1981, compared to $15.9 million in 1980, reflecting a $6.0 million increase in foreign exchange losses in 1981 and $9.3 million of non-tax deductible merger expenses. In 1980, $16.7 million was provided for discontinuance of bakers yeast production at two U.S. plants.

The effective tax rate was 44.1% in both 1981 and 1980.

1980 Operations Compared with 1979 Operations

Net sales were $5,587.2 million in 1980, an increase of $611.9 million, or 12%, over the prior year. Consolidated operating income rose 20% to $501.0 million. Each segment of the business contributed to the sales and earnings improvement over 1979.

U.S. Bakery sales increased 9%, principally due to price increases in response to inflationary costs. New cookie product introductions and successful promotional activity, along with increased *Wheatsworth* Stone Ground Wheat Cracker sales, contributed to this growth. Escalating costs for raw and packaging materials, coupled with higher costs of labor and employee benefits, partially offset the increased earnings resulting from higher sales.

U.S. Confectionery operations achieved a 25% sales increase over 1979, due to significantly higher volumes for *Baby Ruth*, *Butterfinger*, *Chuckles* and *Junior Mints* candies. Earnings growth, however, was minimal due to heavier marketing emphasis on trade promotions and increases in fixed costs.

Other U.S. Food products recorded modest sales gains in 1980, reflecting selected price increases in a number of lines. Increased margins led to a strong earnings improvement over 1979.

International Food operations achieved a 16% sales growth, due to a mix of significant price and volume gains. Earnings grew 32% over 1979 due to the sales growth, successful expansion of the *Walkers Crisps* business in the U.K. and strength in the Canadian and South American operations. In addition, the increase was partially due to the adverse effect on 1979 results of the operating losses of a West German confectionery operation which was sold in September, 1979.

The Food Ingredients segment sales increased 27% over 1979. This improvement was primarily attributable to the improved prices obtained for HFCS. The sharp earnings improvement reflected the strengthened prices for HFCS in 1980, and was also attributable to the depressed earnings level of 1979. Results in 1979 were adversely affected by a plant shutdown at Clinton, Iowa, caused by severe weather, and start-up costs at the corn processing plant in Montezuma, New York.

Other Consumer Products experienced a 19% sales increase in 1980, owing largely to the acquisition of The American Distilling Company. Earnings growth was 22%.

Interest expense increased 10% as a result of worldwide higher interest rates and additional borrowings to finance acquisitions.

Miscellaneous expense, net, amounted to $15.9 million in 1980, compared to $15.4 million in 1979. During 1980, the Company provided $16.7 million for discontinuance of bakers yeast production at two manufacturing facilities, while in 1979 there was a write-off of $17 8 million relating to the sale of the West German confectionery business.

The effective income tax rate was 44.1% in 1980, compared to 45.6% in 1979 The reduction in 1980 was attributable to increased U.S. investment tax credits.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate sufficient cash to meet its operating needs such as payroll, materials and services, as well as capital expenditures, debt repayments and dividends to its shareholders. Barring the occurrence of any unusual events, management believes that internally generated funds will be more than adequate to fund continuing operating requirements in the foreseeable future. Moreover, management believes that the Company will be able to fund a dividend payout ratio in the range of 40% to 45% during this time.

Temporary seasonal cash needs are financed through a number of available sources including commercial paper, commercial bank lines of credit and other sources of financing that exist in the worldwide capital markets. The determination of the source of financing to be used is based upon several factors including currency considerations, duration of need and relative interest cost.

The Company has and will continue to consider investment opportunities such as acquisitions and joint ventures, which might have a potential effect on the Company's future liquidity. Such potential investments could be financed through any combination of debt or equity offerings, use of available cash and short-term investment funds, or the exercise of any of the Company's substantial unused lines of credit. In 1981 the Company has funded the Life Savers acquisition partly by internally generated cash and partly by long-term debt. Because of the Company's strong financial condition, management believes that it has the capability of expanding the Company's borrowing capacity, should the need arise.

The Company has increased its capital spending program. Capital expenditures for 1981 increased to $252 million, an 18% increase over the 1980 level. These expenditures were made in order to achieve stated productivity goals, build new production facilities, and equip existing facilities with the latest technology. The funds utilized in these improvements were generated primarily from operations. The Company had commitments for property, plant and equipment which approximated $47 million at December 31, 1981.

Management expects to invest increasing amounts of capital resources in the future to expand, maintain and improve the efficiencies of the Company's production and distribution facilities. It is anticipated that capital expenditures will approach $300 million in 1982. The Company expects to meet these requirements primarily through the use of internally generated funds.

Stock Market Prices and Dividends

The principal market for the Company's shares is the New York Stock Exchange. The quarterly high and low prices of Nabisco Brands, Inc., common stock and $3.50 cumulative preferred stock since the merger on July 6, 1981, were as follows:

1981	Third Quarter	Fourth Quarter
Common stock		
High	$28	$31¾
Low	25⅜	26
$3.50 cumulative preferred stock		
High	$35	$31½
Low	28	28

The Company declared a common dividend of 46¼¢ per share in each of the third and fourth quarters of 1981,

an annualized rate of $1.85 per share. The Company declared a common dividend of 51¼¢ per share in the first quarter of 1982, payable April 9, 1982. This represents a new annualized rate of $2.05 per share. Prior to the merger on July 6, 1981, Nabisco, Inc., declared a common dividend of 45¢ per share and Standard Brands Incorporated declared a common dividend of 41¢ per share in each of the first and second quarters of 1981, respectively. In 1980, common dividends declared were $1.67 and $1.60 per share for Nabisco and Standard Brands, respectively.

Total dividends declared on common stock in 1981 were $111.2 million, compared with $99.1 million in 1980.

Preferred dividends were paid at the quarterly rate of 87½¢ per share on the $3.50 cumulative preferred stock during 1981 and 1980, or an aggregate of $.4 million in each year.

The approximate number of common shareholders of record at December 31, 1981, was 105,000.

Interim Results

The following is a summary of the unaudited interim results of operations for the years ended December 31, 1981 and 1980. These quarterly results were reported separately by Nabisco and Standard Brands for each quarter of 1980 and the first two quarters of 1981. Nabisco's previously reported separate results have been retroactively adjusted to account for the U.S. investment tax credit on the flow-through method.

(In millions, except per share data)

1981	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$1,391 2	$1,409 4	$1,448 9	$1,569 7
Gross profit	441.2	445.3	466 7	538.7
Net income	56.9	52 3	71.0	86.1
Net income per common share	.90	83	1.12	1.36

1980	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$1,284.8	$1,317.6	$1,398.0	$1,586.8
Gross profit	384.1	399 7	440.2	504.0
Net income	45.5	51 7	62.2	75 4
Net income per common share	.73	82	99	1.19

Supplementary Information on the Effects of Inflation (unaudited)

General Background

The Company's historical cost financial statements are not intended to measure the effects of changing prices or relative economic value in an inflationary environment. The Financial Accounting Standards Board has issued Statement No. 33, "Financial Reporting and Changing Prices," in an attempt to provide useful estimates of the impact of inflation on the operations of the largest U.S. corporations. Two distinctly different methods of preparing and presenting such estimates are required by Statement No. 33.

The Constant Dollar method's major premise is that the purchasing power of the dollar changes during periods of inflation. The Constant Dollar method adjusts for those changes and restates financial statement elements into dollars that have equal purchasing power. The U.S. Consumer Price Index for All Urban Consumers (CPI/U) is used in making these adjustments. The financial data appearing under the captions "Adjusted for General Inflation," contained herein, were developed by determining the points in time in which the related inventories and properties were acquired and adjusting the historical dollar values of these assets, as well as the related cost of goods sold and depreciation expense, by applying the appropriate Consumer Price Index. These financial data and the information contained in the "Consolidated Statement of Income Adjusted for the Effects of Changing Prices" are expressed in terms of average for the year constant dollars.

The Current Cost method's major underlying assumption is that the prices of different resources used by different types of companies do not necessarily change at the same rate during periods of inflation. The Current Cost method seeks to report the unique effect of inflation on a company by measuring the specific price changes of the resources it uses. To present the current cost of property, plant and equipment and related depreciation expense, various available industrial indices for buildings, machinery and equipment were utilized and applied to historical costs based on the dates of acquisition. The historical cost of sales exclusive of depreciation was adjusted to compensate for price changes during the inventory holding and production periods by developing internal price indices. Inventories were restated using similar methods based on latest available costs to produce or purchase them at the respective measurement dates.

Consolidated Statement of Income Adjusted for the Effects of Changing Prices

(In millions, except per share data)

	Year Ended December 31, 1981		
	Historical Basis	Adjusted for General Inflation (Constant Dollar)	Adjusted for Changes in Specific Prices (Current Cost)
Net sales	$5,819.2	$5,819.2	$5,819.2
Cost of sales	3,859.4	3,930.3	3,914.6
Depreciation expense	96.7	152.3	164.5
Other expenses	1,323.8	1,323.8	1,323.8
Interest expense	63.3	63.3	63.3
Provision for income taxes	209.7	209.7	209.7
Net income	$ 266.3	$ 139.8	$ 143.3
Net income per share	$4.21	$2.21	$2.26
Gain from decline in purchasing power of net monetary liabilities		$80.9	$80.9
Increase in specific prices of inventories and property, plant and equipment held during the year[1]			$206.0
Less effect of increase in general price level			246.0
Excess of increase in general price level over increase in specific prices			$ (40.0)

[1]At December 31, 1981, the Current Cost of inventory was $958.7 million and the Current Cost of property, plant and equipment, net of accumulated depreciation, was $2,022.6 million

Management's Overview

Constant Dollar Presentation–For the years ended December 31, 1981 and December 31, 1980, when adjusted for the effects of general inflation, reported net income was reduced by 48% and 52%, respectively. This reduction was due in part to increased depreciation charges of $55.6 million in 1981 and $49.8 million in 1980. In addition, cost of sales increased by $70.9 million in 1981 and $96.3 million in 1980. The assumptions underlying the increases in depreciation expense are tantamount to replacing existing fixed assets with identical assets at higher prices as reflected by changes in the CPI/U. Ordinarily, management would replace existing assets with those of improved technology, thus resulting in cost savings. Furthermore, the Company's cost of sales do not necessarily follow the same inflationary pattern as do consumer prices. The Company's production costs are more subject to the vagaries of commodity prices than to the CPI/U. In addition, one should consider the "Gain from decline in purchasing power of net monetary liabilities" when viewing the Company's inflation-adjusted earnings. This gain results from repaying net monetary liabilities with dollars of lesser value due to inflation. If this gain were added to inflation-adjusted earnings in both years, constant dollar net income would have decreased by only 17% from historical net income in 1981 and 7% in 1980.

Current Cost Presentation–For the years ended December 31, 1981 and December 31, 1980, reported net income was reduced by 46% and 55%, respectively, when restated for changes in specific prices. As was the case in the Constant Dollar model, these decreases were due in part to depreciation increases of $67.8 million and $63.2 million in 1981 and 1980, respectively. In addition, cost of sales also increased $55.2 million in 1981 and $91.1 million in 1980, which compares favorably to a similar increase reported under the Constant Dollar method. The favorable comparison is due chiefly to the fact that inflationary increases for the Company have been less than the pace of general inflation. While costs of acquiring property, plant and equipment have risen at a rate which approximates general inflation, the Company's raw material costs have not increased as dramatically as the CPI/U.

Five-Year Comparison–This schedule includes a five-year comparison of selected items as reported in the primary financial statements, together with corresponding amounts adjusted for the effects of inflation, expressed in terms of average 1981 dollars.

Historical net sales show an annual compound growth rate of 9%, while inflation-adjusted sales would indicate a decline of less than 1%. However, the sales in prior years include amounts with respect to certain operations which have now been disposed of.

During the five-year period, the Company has increased common dividends every year. This has provided shareholders with cash dividends declared per share on a constant dollar basis which have substantially allowed them to maintain their purchasing power. At the same time, the Company has been able to accumulate funds to pursue an active program of capital expenditures and acquisitions for future growth.

Certain information related to years prior to 1979, which is not required, was omitted since it was impractical to obtain such information.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for the Effects of Changing Prices

(Dollars in millions, except per share data)	1981	1980	1979	1978	1977
		Year Ended December 31			
Net sales					
Historical cost	**$5,819.2**	$5,587 2	$4,975 3	$4,555 1	$4,166 1
Constant dollar	**5,819.2**	6,164 5	6,231 7	6,347 8	6,250 3
Net income					
Historical cost	**$266.3**	$234 8	$186 5	$179 1	$147 6
Constant dollar	**139.8**	113 0	81 7		
Current cost	**143.3**	104 7	91 3		
Net income per common share					
Historical cost	**$4.21**	$3 73	$2 97	$2 86	$2 37
Constant dollar	**2.21**	1 79	1 30		
Current cost	**2.26**	1 66	1 45		
Net assets at year-end					
Historical cost	**$1,522.8**	$1,344 1	$1,200 3	$1,098 9	$998.3
Constant dollar	**2,256.3**	2,084 0	2,023 6		
Current cost	**2,353.8**	2,256 3	2,266 2		
Excess of increase in general price level over increase in specific prices	**$(40.0)**	$(100 8)	$(88 1)		
Gain on net monetary liabilities	**$80.9**	$105 5	$122 7		
Cash dividends declared per common share					
Historical cost	**$1.77**	$1.60	$1 45	$1 35	$1 24
Constant dollar	**1.77**	1 77	1.82	1 88	1.86
Market price per common share at year-end					
Historical cost	**$31.00**				
Constant dollar	**29.99**				
Average consumer price index (1967=100)	**272.3**	246 8	217 4	195.4	181 5

General Conclusions

Although we believe that both the Constant Dollar and Current Cost approaches used in adjusting historical amounts for inflation involve the use of estimates and assumptions required by Statement No. 33 which might render the results misleading, it is our opinion that these methods provide a general indication of the effects of changing prices on the Company's cash flow and capital base. To minimize the impact of inflationary cost pressures, it has been and will continue to be the Company's practice to maintain margins through improved production and distribution efficiencies, economies of scale, and, as a last resort, passing inflationary cost increases along to the consumer in the form of higher prices. The most glaring revelation made by these disclosures points to the fact that changes in taxation laws concerning depreciation, like the Economic Recovery Tax Act of 1981, are needed to mitigate the impact of inflation on the capital formation process. It is apparent that, when historical income tax expense is applied against income restated for the effects of general inflation and changes in specific prices, effective tax rates soar. The effect of inflation is not deductible for tax purposes and results in the shrinking of corporate profits available for capital formation. In the opinion of management, this is one of the major causes of the lack of growth in productivity in the U.S.

Responsibility for Financial Statements

Nabisco Brands, Inc., is responsible for the preparation, integrity and accuracy of its financial statements as well as all other information included in the Annual Report, unless otherwise noted. The statements have been prepared in conformity with generally accepted accounting principles consistently applied, using management's best estimates and judgments, where appropriate.

The system of internal controls of Nabisco Brands, Inc., and its subsidiaries is designed to provide reasonable assurance that the books and records reflect the transactions of the Company and that established policies and procedures are followed. This system is augmented by written policies and guidelines, a strong program of internal audit and the careful selection and training of qualified personnel.

Coopers & Lybrand, independent certified public accountants, have made an examination of the financial statements in accordance with generally accepted auditing standards that include tests of transactions and selective tests of internal accounting controls. The Audit Committee of the Board of Directors, consisting solely of nonemployee directors, meets regularly with the independent auditors and management–both jointly and separately–to review accounting, auditing and financial reporting matters. Both the internal and independent auditors have direct access to the Audit Committee.

Robert M. Schaeberle
Chairman and Chief Executive Officer

C R Owens
C. Richard Owens
Executive Vice President and Chief Financial Officer

Report of Independent Accountants

To the Shareholders of Nabisco Brands, Inc.:

We have examined the consolidated balance sheets of Nabisco Brands, Inc., and its consolidated subsidiaries as of December 31, 1981 and 1980, and the related consolidated statements of income, shareholders' equity and changes in financial position for the years ended December 31, 1981, 1980 and 1979. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Nabisco Brands, Inc., and its consolidated subsidiaries as of December 31, 1981 and 1980, and the consolidated results of their operations and changes in their financial position for the years ended December 31, 1981, 1980 and 1979, in conformity with generally accepted accounting principles applied on a consistent basis.

1251 Avenue of the Americas
New York, N.Y 10020
January 27, 1982

Consolidated Statement of Income

NABISCO BRANDS

(In millions, except per share data)	1981	Year Ended December 31 1980	1979
Net sales	**$5,819.2**	$5,587 2	$4,975 3
Cost of sales	**3,927.3**	3,859.2	3,533 9
Gross profit	**1,891.9**	1,728 0	1,441 4
Selling, general and administrative expenses	**1,338.8**	1,227.0	1,024.0
Operating income	**553.1**	501 0	417 4
Interest expense	**63.3**	65.0	58.9
Miscellaneous expense, net	**13.8**	15.9	15.4
Income before income taxes	**476.0**	420.1	343.1
Income taxes			
Current			
United States	**105.1**	96.6	82.5
Foreign	**82.7**	61 0	38.5
State and local	**19.9**	18.0	16.0
Deferred	**2.0**	9.7	19.6
Total income taxes	**209.7**	185.3	156 6
Net income	**$ 266.3**	$ 234.8	$ 186.5
Net income per common share	**$4.21**	$3.73	$2.97
Average common shares outstanding (000)	**63,142**	62,833	62,606

See Notes to Consolidated Financial Statements on pages 48 through 53

Consolidated Balance Sheet

ASSETS (In millions)	December 31 1981	1980
Current assets		
Cash	$ 20.5	$ 17 2
Short-term investments, at cost which approximates market	165.5	217.1
Accounts receivable, net of allowances	569.5	573.2
Inventories	938.4	912.5
Prepaid expenses	20.6	18.1
Total current assets	1,714.5	1,738.1
Property, plant and equipment		
Land	31.7	27.4
Buildings	532.5	491.3
Machinery and equipment	1,471.9	1,326.4
	2,036.1	1,845 1
Less, accumulated depreciation	824.2	762.3
Property, plant and equipment, net	1,211.9	1,082.8
Other assets	376.9	94 5
Goodwill and other intangibles, net of amortization	125.9	116.2
Total assets	$3,429.2	$3,031.6

See Notes to Consolidated Financial Statements on pages 48 through 53

LIABILITIES (In millions)	December 31 1981	1980
Current liabilities		
Short-term borrowings	$ 26.7	$ 25 1
Current maturities of long-term debt	34.7	9 3
Accounts payable	344.4	317.6
Accrued liabilities	417.8	358 8
Dividend payable	29.8	14.5
Income taxes	104.0	133 1
Total current liabilities	957.4	858.4
Long-term debt	687.4	600 4
Other liabilities	97.3	80.8
Deferred income taxes	164.3	147.9
SHAREHOLDERS' EQUITY		
Preferred stock, par value $1.00, shares authorized 50,000,000		
$3.50 cumulative series, stated and redemption value $100, shares authorized 119,992	12.0	12.5
Common stock, par value $2.00, shares authorized 200,000,000	126.2	124.2
Additional paid-in capital	57.2	34.6
Retained earnings	1,327.5	1,172.8
Treasury stock, at cost	(.1)	—
Total shareholders' equity	1,522.8	1,344.1
Total liabilities and shareholders' equity	$3,429.2	$3,031.6

Consolidated Statement of Changes in Financial Position

(In millions)	1981	Year Ended December 31 1980	1979
Funds from operations			
Net income	**$266.3**	$234.8	$186.5
Charges to income not requiring the use of funds:			
Depreciation and amortization	**99.9**	94.8	81.6
Deferred income taxes	**2.0**	9.7	19.6
Total funds from operations	**368.2**	339.3	287.7
Funds from (used for) nonfinancing activities			
Disposals of property, plant and equipment	**26.2**	30.1	11.3
Increase in other liabilities	**16.5**	10.8	8.5
Decrease (increase) in working capital, excluding cash and short-term investments:			
Accounts receivable	**3.7**	(75.1)	(49.0)
Inventories	**(25.9)**	(111.4)	(64.6)
Prepaid expenses	**(2.5)**	.1	2.4
Short-term debt	**27.0**	(18.1)	(37.1)
Accounts payable and accrued liabilities	**85.8**	112.6	66.6
Income taxes	**(29.1)**	25.7	1.7
Other sources (uses), net	**28.0**	(18.6)	.8
Funds from (used for) nonfinancing activities	**129.7**	(43.9)	(59.4)
Total funds available before financing activities	**497.9**	295.4	228.3
Funds from (used for) financing activities			
Additions to long-term debt	**191.5**	107.1	37.8
Reductions in long-term debt	**(104.5)**	(35.6)	(23.7)
Common stock issued	**24.0**	8.5	4.5
Funds from financing activities	**111.0**	80.0	18.6
Total funds provided	**608.9**	375.4	246.9
Uses of funds			
Capital expenditures	**252.0**	212.9	152.1
Acquisitions	**308.9**	5.3	18.0
Cash dividends paid	**96.3**	98.0	88.6
Total funds used	**657.2**	316.2	258.7
Increase (decrease) in cash and short-term investments	**$ (48.3)**	$ 59.2	$ (11.8)

See Notes to Consolidated Financial Statements on pages 48 through 53

Consolidated Statement of Shareholders' Equity

NABISCO BRANDS INC

(Dollars in millions)	$3 50 Cumulative Preferred Shares	Preferred Amount	Common Stock Issued Shares	Common Stock Issued Amount	Common Stock Treasury Stock Shares	Common Stock Treasury Stock Amount	Additional Paid-in Capital	Retained Earnings
Balance, December 31, 1978	125,302	$12.5	61,626,164	$123.3	(64,044)	$(1.3)	$23.1	$ 941.3
Net income								186.5
Dividends declared								(89.6)
Issued in connection with:								
Exercise of stock options			39,978	.1			.6	
Incentive compensation plans					30,603	.7	—	
Employee Stock Ownership Plan			24,885	—			.6	
Dividend Reinvestment and Stock Purchase Plan			109,271	.2			2.4	
Treasury stock acquired					(3,463)	(.1)	—	
Balance, December 31, 1979	125,302	12.5	61,800,298	123.6	(36,904)	(.7)	26.7	1,038.2
Net income								234.8
Dividends declared								(99.5)
Issued in connection with.								
Exercise of stock options			42,550	.1			7	
Incentive compensation plans					33,400	.7	.1	
Employee Stock Ownership Plan			27,264	—			.8	
Dividend Reinvestment and Stock Purchase Plan			169,142	.3			4.2	
Convertible debentures			36,406	.1			.8	
Purchase of minority interest			29,167	.1			1.3	(.7)
Treasury stock acquired					(1,823)	—		
Balance, December 31, 1980	125,302	12.5	62,104,827	124.2	(5,327)	—	34.6	1,172.8
Net income								266.3
Dividends declared								(111.6)
Issued in connection with:								
Exercise of stock options			66,135	.1			1.4	
Incentive compensation plans					38,805	.9	—	
Employee Stock Ownership Plan			44,254	.1			1.1	
Dividend Reinvestment and Stock Purchase Plan			220,885	.5			5.3	
Convertible debentures			666,886	1 3			14.9	
Treasury stock acquired	(5,310)	(.5)			(38,876)	(1.0)	(.1)	
Balance, December 31, 1981	119,992	$12.0	63,102,987	$126.2	(5,398)	$ (.1)	$57.2	$1,327.5

See Notes to Consolidated Financial Statements on pages 48 through 53

Notes to Consolidated Financial Statements

Summary of significant accounting policies

Consolidation–As a result of a merger on July 6, 1981, involving Nabisco, Inc., and Standard Brands Incorporated, in which those companies became wholly owned subsidiaries of Nabisco Brands, Inc., all shares of Nabisco, Inc., common stock and Standard Brands Incorporated common stock then outstanding were converted into common stock of Nabisco Brands, Inc. Each share of Nabisco common stock was converted into 1.04 shares of Nabisco Brands common stock. Each share of Standard Brands common stock was converted into one share of Nabisco Brands common stock. Each share of Standard Brands $3.50 cumulative preferred stock then outstanding was converted into one share of Nabisco Brands $3.50 cumulative preferred stock having the same preferences, special rights and powers. In accordance with the merger agreement, all capital stock of Nabisco and Standard Brands that was held in treasury at the merger date was retired. The combination was accounted for as a pooling-of-interests. To conform the respective companies' accounting for the U.S. investment tax credit, Nabisco's method was changed from the deferral to the flow through method by retroactively adjusting all periods prior to the combination. As a result of the merger, certain adjustments were recorded in the beginning balances of the shareholders' equity accounts as follows:

(In millions)	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings
Balance, December 31, 1978, as reported:					
Nabisco, Inc	$ —	$ 80.6	$(2.5)	$ 6.2	$460.1
Standard Brands Incorporated	20.0	28.2	(6.3)*	29.4	468.7
Combined	20.0	108.8	(8.8)	35.6	928.8
Adjustments for pooling-of-interests:					
Retirement of treasury stock	(7.5)	(.2)	7.5	2.2	(2.0)
Conversion of common stock		14.7		(14.7)	
Cumulative effect of change in accounting for U.S. investment tax credit					14.5
Balance, December 31, 1978, as adjusted	$12.5	$123.3	$(1.3)	$23.1	$941.3

*Includes preferred stock of $5.2 million

The accompanying consolidated financial statements represent the consolidated financial position of Nabisco Brands, Inc., and its subsidiaries ("the Company") as of December 31, 1981 and 1980, and the consolidated results of operations for each year of the three years ended December 31, 1981.

For the six-month period ended June 30, 1981, the net sales and net income of Nabisco were $1,331.9 million and $69.2 million, respectively, and the net sales and net income of Standard Brands were $1,468.7 million and $47.2 million, respectively. In addition, the results of combined operations include non-tax deductible merger expenses of $9.3 million, or $.15 per common share, recorded as of June 30, 1981.

The net sales and net income of Nabisco Brands included in the Consolidated Statement of Income for each year of the two years ended December 31, 1980, represent the combined results of operations of Nabisco and Standard Brands for those periods as follows:

(In millions)	Year Ended 1980	1979
Net sales as previously reported		
Nabisco, Inc.	$2,568.7	$2,362.0
Standard Brands Incorporated	3,018.5	2,613.3
Combined net sales	$5,587.2	$4,975.3
Net income as previously reported:		
Nabisco, Inc	$ 127.8	$ 99.8
Standard Brands Incorporated	104.4	86.3
Change in accounting for the U.S. investment tax credit	2.6	.4
Combined net income	$ 234.8	$ 186.5

The consolidated financial statements include the accounts of Nabisco Brands and its majority-owned subsidiaries. The equity method of accounting is used for unconsolidated investments in which the Company has a substantial interest but owns less than the majority. The Company's share of results of operations from these affiliates is recorded in "Miscellaneous expense, net."

All significant intercompany accounts and transactions have been eliminated. The financial statements of subsidiaries operating outside the United States and Canada are included on the basis of fiscal years ending November 30

to facilitate prompt reporting of year-end consolidated results.

Inventories are valued principally at the lower of average cost or market.

Property, plant and equipment are recorded at cost. For financial reporting purposes, depreciation expense is generally provided on a straight-line basis using estimated useful lives of 20 to 40 years for buildings and 3 to 20 years for machinery and equipment.

Expenditures that result in the enhancement of the assets involved are capitalized. Maintenance and repair costs are expensed when incurred Upon sale or other disposition, any gain or loss is included in income

Facilities leased under capital leases are recorded in property, plant and equipment, with corresponding obligations carried in short- and long-term debt The amount capitalized is the lower of the present value of minimum lease payments or the fair value of the leased property. Depreciation on capital leases is recorded on a straight-line basis generally over the lease term

Goodwill and other intangibles, net of amortization–Intangible assets acquired after October 31, 1970, are amortized on a straight-line basis over periods not exceeding 40 years. Most intangibles acquired prior to October 31, 1970, are not being amortized since the Company believes there has been no diminution in the value of these assets

Income taxes–Deferred income taxes, principally U.S. Federal taxes, are provided for timing differences between financial and taxable income. Such differences result primarily from the use of accelerated cost recovery methods for tax purposes which provide more depreciation expense in the early years than in the later years of the lives of the assets being depreciated.

Investment tax credit–The U.S. investment tax credit, earned on qualified capital additions, is accounted for by the flow-through method by reducing income tax expense in the year earned.

Business acquisitions–On December 30, 1981, the Company purchased substantially all of the assets, subject to certain liabilities, of Life Savers, Inc , a manufacturer of hard-roll candy and chewing gum, for $50 million in cash, $180 million of long-term notes and additional amounts payable over 10 years. The Company is in the process of determining the fair value of the properties and other assets acquired and the goodwill resulting from the acquisition. At December 31, 1981, the purchase price attributable to these assets has been included in "Other assets." Prior to this acquisition, Life Savers' results for 1981 were $322.5 million of net sales and $35.7 million of operating income.

During 1981, the Company purchased a 30% interest in a Mexican biscuit and pasta company for $45 million in cash and an interest in Nabisco Famosa, S.A , an existing Mexican affiliate.

During 1980, the Company acquired certain inventories and trademarks from The American Distilling Company for $27 million. During 1979, the Company acquired the U.S. rights to *Inver House* brand Scotch Whisky and purchased related inventories for $24 million. In addition, the Company purchased Romix Foods, Ltd , a leading producer of pastry, bread and cheese cake mixes in the U.K., and Dickson's Food Services Ltd. in Canada.

All acquisitions have been accounted for using the purchase method of accounting and are included in the consolidated financial statements from their respective dates of acquisition. None of these acquisitions was material to the consolidated results of operations.

Short-term investments consist of time deposits, certificates of deposit, corporate bonds and U.S government securities.

Inventories consist of the following:

(In millions)	December 31 **1981**	1980
Finished products	**$370.0**	$368 7
Products in process	**104.4**	115 0
Raw materials and supplies	**464.0**	428 8
Total	**$938.4**	$912 5

Other assets consist of deferred charges, investments in and advances to unconsolidated affiliates and, in 1981, the purchase price of Life Savers, Inc., of $260 million.

Short-term borrowings–The Company had $185 million in bank lines of credit, providing it with future domestic and international credit availability and support for the issuance of commercial paper. Worldwide unused lines of credit, including the above, amounted to $334 million at year-end. The borrowings at December 31, 1981 and 1980, consist principally of bank loans of international subsidiaries. Other information follows:

(Dollars in millions)	**1981**	1980
Average amount outstanding during the year (based on daily amounts)	**$62.0**	$104.6
Weighted-average interest rate during the year (based on actual interest and related average borrowings)	**20.0%**	14.7%
Maximum amount outstanding at any month-end	**$79.4**	$157.0
Weighted-average interest rate at December 31	**24.6%**	21.5%

Accrued liabilities consist of the following:

(In millions)	December 31 1981	1980
Payrolls	**$107.2**	$ 90.4
Trade discounts	**41.5**	42 3
Taxes, other than income and excise taxes	**46.1**	40 9
Excise taxes	**39.5**	47.0
Pensions	**32.5**	28.2
Interest	**8.4**	9 7
Other	**142.6**	100 3
Total	**$417.8**	$358.8

Long-term debt consists of the following obligations:

(In millions)	December 31 1981	1980
6½% Guaranteed Debentures due 1982	**$ 2.0**	$ 3.5
12⅜% Promissory Notes due 1984	**30.0**	30 0
12% Bank Term Loan due 1985	**40.0**	40.0
4¾% Subordinated Debentures due 1987	**19.9**	26 2
5¼% Guaranteed Convertible Debentures due 1988	**—**	18.1
14⅝% Promissory Notes due 1988	**180.0**	—
6¾% Sinking Fund Debentures due 1993	**27.0**	39 5
9¾% Canadian Sinking Fund Debentures due 1997	**20.2**	21 0
8 45% Promissory Notes due 1998	**50.0**	50.0
14% Canadian Sinking Fund Debentures due 2000	**25.3**	25 2
7¾% Sinking Fund Debentures due 2001	**77.0**	83 0
7¾% Sinking Fund Debentures due 2003	**65.0**	75 0
9½% Sinking Fund Debentures due 2004	**40.8**	50 0
Capitalized Lease Obligations	**83.4**	86 0
Other	**61.5**	62 2
	722.1	609.7
Less, current maturities	**34.7**	9.3
Total	**$687.4**	$600 4

The various debenture and other note issues generally require annual payments until final maturity. During 1981, the Company prepaid certain sinking fund installments through the repurchase of $47 million of principal amount of debentures.

The 5¼% Guaranteed Convertible Debentures were called for redemption during 1981 in connection with the merger. $16.2 million of these debentures were converted into 666,886 shares of common stock and the remainder were redeemed for cash.

The combined maturities and sinking fund obligations for all long-term debt issues during the next five years are as follows (in millions): 1982, $34.7; 1983, $36.6; 1984, $71.9; 1985, $77.6; and 1986, $42.2.

Other liabilities consist primarily of pension accruals, incentive compensation awards, workers' compensation liabilities, royalties and minority interests. Pension accruals have been established to cover certain U.S. prior service liabilities and pension obligations of subsidiaries operating in countries where it is customary for companies to administer their own pension plans.

Retirement plans–Nabisco Brands and its subsidiaries have pension plans covering substantially all employees. Pension costs for most plans are funded by deposits with trustees or recorded as a liability. Certain U.S. pension plans administered by unions are funded through fixed levels of contributions established pursuant to collective bargaining agreements.

The total pension expense for all plans was $75.4 million in 1981, $68.4 million in 1980 and $56.3 million in 1979. The pension expense includes a provision for current service costs and, where applicable, amortization of prior service costs over periods of up to 40 years.

A comparison of accumulated plan benefits based on actuarial valuation and plan net assets, as of the most recent actuarial valuation dates for the Company's principal domestic pension plans, excluding union administered plans, is as follows:

(In millions)	1981	1980
Actuarial present value of accumulated plan benefits:		
Vested	**$331.3**	$329 7
Non-vested	**10.6**	13 4
Total	**$341.9**	$343.1
Net assets available for benefits	**$321.5**	$269.2

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits for these plans was 9% in 1981 and ranged from 7% to 8.5% in 1980.

The Company's foreign pension plans are not required to report to certain U.S. government agencies pursuant to the Employee Retirement Income Security Act and do not otherwise determine the actuarial present value of accumulated plan benefits At the most recent actuarial valuation dates for these plans, the aggregate estimated vested benefits were approximately equal to the value of plan assets.

Incentive compensation–The Company terminated its management incentive plans as of December 31, 1981, and intends to adopt a new incentive compensation program, subject to shareholder approval on May 6, 1982 The prior plans were administered by the Compensation Committee of the Board of Directors, and provided for annual and long-term awards, certain of which were deferred, payable in common stock or cash. Provisions for these plans of $15.7 million, $11.6 million and $6 6 million were charged to operations in 1981, 1980 and 1979, respectively.

Stock option plans have been terminated, except with respect to previously granted options. During 1981, options granted in prior years to purchase 66,135 shares were exercised at prices ranging from $16.50 to $27.43 per share and options to purchase 19,005 shares expired. Options for 202,221 shares were outstanding and exercisable at December 31, 1981, at prices ranging from $16.50 to $28.38 per share.

Common stock–The Company's Dividend Reinvestment and Stock Purchase Plan permits common shareholders to purchase additional common stock through reinvestment of their dividends and by additional optional cash investment.

The Company maintains an Employee Stock Ownership Plan for the benefit of its U.S. employees, whereby the Company contributes and deposits shares of common stock with a trustee, equal in market value to the maximum amount allowable for such plans under applicable income tax regulations.

Foreign exchange adjustments arising from translation, transactions and forward foreign exchange contracts amounted to losses, net of taxes, of $9.1 million in 1981, $8 1 million in 1980 and $12.5 million in 1979.

Forward foreign exchange contracts are used to hedge certain foreign inventory and translation exposures. The difference between translating such exposed inventories at historical versus current rates resulted in an unfavorable effect on cost of sales of $12.3 million and $2 0 million in 1981 and 1980, respectively, and a favorable effect of $2.9 million in 1979.

Income taxes–The components of pretax income were as follows:

(In millions)	**1981**	1980	1979
Pretax income.			
Domestic	**$302.5**	$275 0	$231.2
Foreign	**173.5**	145 1	111 9
Total pretax income	**$476.0**	$420 1	$343 1

A reconciliation of the U.S. statutory tax rate with the effective tax rate reported is as follows:

	1981	1980	1979
U.S statutory rate	**46.0%**	46 0%	46.0%
State and local income taxes, net of federal tax benefit	**2.2**	2 3	2.5
U.S. investment tax credit	**(3.3)**	(2 7)	(1.9)
Other, net	**(.8)**	(1 5)	(1.0)
Effective tax rate	**44.1%**	44 1%	45 6%

The deferred income tax provision, principally U.S. Federal taxes, results primarily from the use of accelerated cost recovery methods and, in addition, in 1980, from timing differences related to inventory methods and provisions for plant closings.

U.S. income and foreign withholding taxes are being provided currently on foreign subsidiaries' net earnings that are expected to be distributed to the parent company. The Company has indefinitely reinvested approximately $398 million of foreign subsidiaries' retained earnings to meet their operating and long-term needs and, accordingly, no U.S. income taxes have been provided on these amounts. If such earnings are distributed in the future, it is expected that the amount of additional U.S. income taxes required would not be significant because of the availability of foreign tax credits thereon.

Segment information–The Company's products are classified into six worldwide business segments: U.S. Bakery, composed of U.S. cookie and cracker products; U.S. Confectionery; Other U.S. Food, composed of nuts, margarines, dessert mixes, snack foods, cereals, pet and frozen food products; International Food, composed of cookies, crackers, nuts, confectionery, snack foods, cereals, pet foods and other grocery products sold outside the U.S.; Food Ingredients, (U.S. and International) composed of corn wet milling products, vinegar and yeast; Other Consumer Products (U.S. and International) composed of beer, wine and spirits, toiletries and pharmaceuticals, plastic and cloth shower curtains, knitted curtains, tobacco and other nonfood products.

Corporate consists primarily of the following:

Operating Income–General and administrative expenses of headquarters' functions, including unallocated research and development and corporate engineering expenses.

Identifiable Assets–Corporate cash and short-term investments, headquarters' property and facilities, investments in and advances to unconsolidated affiliates, and, in 1981, the purchase price of Life Savers, Inc.

Capital Expenditures–For headquarters' administrative and research facilities.

Depreciation Expense–On depreciable headquarters' administrative and research facilities.

Business Segments

(Dollars in millions)

	Net Sales		Operating Income		Identifiable Assets		Capital Expenditures		Depreciation Expense	
1981	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
U.S Bakery	$1,412.8	24	$219 0	35	$ 551.5	19	$ 59.1	25	$26 9	29
U S. Confectionery	265 9	5	25.0	4	91.7	3	8.4	4	3 4	4
Other U S. Food	1,299.0	22	140.0	22	448.8	15	32.8	14	13 5	14
International Food	1,745 4	30	140.2	22	994.4	34	68.6	30	26 3	28
Food Ingredients	514.9	9	54.0	9	358.8	12	47.2	20	16 2	17
Other Consumer Products	581 2	10	48.3	8	477.3	17	16 0	7	7 3	8
Total segments	5,819 2	100	626 5	100	2,922.5	100	232 1	100	93.6	100
Corporate	—		(73 4)		506.7		19 9		3 1	
Total	$5,819.2		$553.1		$3,429.2		$252.0		$96 7	
1980										
U.S Bakery	$1,266.5	23	$189 4	33	$ 496.0	18	$ 47 3	23	$23.7	27
U.S. Confectionery	272.7	5	26 1	5	95.3	3	11 5	6	2.4	3
Other U S. Food	1,272.6	23	114 7	20	414 2	15	22 7	11	14.6	17
International Food	1,737.0	31	129 6	23	969 6	35	72 6	36	24.3	28
Food Ingredients	495 4	9	60.9	11	333.7	12	32 8	16	14.8	17
Other Consumer Products	543.0	9	44.7	8	489.4	17	16 3	8	7 0	8
Total segments	5,587.2	100	565.4	100	2,798.2	100	203.2	100	86.8	100
Corporate	—		(64 4)		233.4		9.7		2.5	
Total	$5,587 2		$501.0		$3,031 6		$212 9		$89.3	
1979										
U.S. Bakery	$1,164.3	24	$181 2	39	$ 444.1	18	$ 46.3	33	$22 1	28
U S Confectionery	217 9	4	24 9	6	77 3	3	7 1	5	2.3	3
Other U.S. Food	1,244 0	25	101 7	22	464 8	19	16 4	12	14 3	18
International Food	1,502 3	30	98 3	21	836 1	33	39 4	29	20.4	26
Food Ingredients	388 7	8	17 4	4	304.9	12	20 9	15	12.9	17
Other Consumer Products	458 1	9	36 5	8	376 3	15	8 7	6	6.1	8
Total segments	4,975.3	100	460.0	100	2,503 5	100	138.8	100	78 1	100
Corporate	—		(42 6)		178 6		13.3		1 6	
Total	$4,975 3		$417 4		$2,682 1		$152 1		$79 7	

Geographic Areas
(Dollars in millions)

1981	Net Sales Amount	%	Operating Income Amount	%	Identifiable Assets Amount	%
United States	$3,836 8	66	$449 3	72	$1,711 7	59
Europe	867 6	15	59 9	10	545 5	19
Canada	606 8	10	56 6	9	348 3	12
Latin America	345 9	6	53 6	8	221 2	7
Other	162 1	3	7 1	1	95 8	3
Total segments	5,819 2	100	626 5	100	2,922 5	100
Corporate	—		(73 4)		506 7	
Total	$5,819 2		$553 1		$3,429 2	
1980						
United States	$3,629 1	65	$405 0	72	$1,623 8	58
Europe	951 4	17	69 5	12	541 8	19
Canada	558 6	10	46 3	8	322 6	12
Latin America	307 5	5	39 7	7	214 3	8
Other	140 6	3	4 9	1	95 7	3
Total segments	5,587 2	100	565 4	100	2,798 2	100
Corporate	—		(64 4)		233 4	
Total	$5,587.2		$501 0		$3,031 6	
1979						
United States	$3,284 7	66	$338 9	74	$1,455 2	58
Europe	837 9	17	53 3	12	497 8	20
Canada	477 4	10	38 4	8	301 3	12
Latin America	261 6	5	26 7	5	168 4	7
Other	113 7	2	2.7	1	80.8	3
Total segments	4,975 3	100	460.0	100	2,503.5	100
Corporate	—		(42 6)		178 6	
Total	$4,975 3		$417 4		$2,682 1	

Supplementary income statement information:

(In millions)	1981	1980	1979
Maintenance and repairs	**$147.2**	$139 8	$115 7
Depreciation	**$ 96.7**	$ 89 3	$ 79 7
Taxes, other than payroll and income taxes, principally property	**$ 31.7**	$ 30 1	$ 27 8
Media advertising	**$191.3**	$183 3	$154.3
Research and development	**$ 29.2**	$ 23 7	$ 19 8
Rent	**$ 40.1**	$ 32.9	$ 31.8

Leases—Amounts included in property, plant and equipment under capital leases as of December 31 were as follows.

(In millions)	1981	1980
Buildings	**$ 76.5**	$ 77 1
Machinery and equipment	**24.6**	26 7
	101.1	103 8
Less, accumulated depreciation	**32.0**	29 9
Total	**$ 69.1**	$ 73 9

Capital leases relate to administrative facilities, warehousing facilities and manufacturing equipment. Operating leases cover facilities and equipment for warehousing, transportation, administration and manufacturing. Future minimum payments under noncancellable leases with terms in excess of one year are

(In millions)	Capital Leases	Operating Leases
1982	$ 10 0	$ 29 6
1983	9.2	25.7
1984	8.4	20 4
1985	8 7	18 2
1986	8 9	17 1
1987 and thereafter	148 7	78 3
Total minimum lease payments	193 9	$189 3
Less, amounts representing interest and executory costs	110 5	
Present value of minimum lease payments	$ 83 4	

Litigation—Various legal proceedings and claims are pending against the Company Although the Company's liability with respect to such matters cannot be ascertained, in the opinion of management and counsel, the ultimate liability, if any, from all pending legal proceedings and claims will not materially affect the Company's financial position or the results of its operations

Other financial information—The following additional financial information appears elsewhere in this report.

Interim Results (unaudited) page 39

Supplementary Information on the Effects of Inflation (unaudited) pages 39 through 41

Ten-Year Financial Summary

(Dollars in millions, except per share data)	**1981**	1980	1979
Net sales	**$5,819.2**	$5,587.2	$4,975.3
Operating income	**553.1**	501.0	417.4
Interest expense	**63.3**	65.0	58.9
Income from continuing operations before income taxes	**476.0**	420.1	343.1
Income from continuing operations	**266.3**	234.8	186.5
Net income	**266.3**	234.8	186.5
Per share of common stock:			
Income from continuing operations	**$ 4.21**	$ 3.73	$ 2.97
Net income	**4.21**	3.73	2 97
Dividends declared	**1.77**	1.60	1.45
Shareholders' equity	**23.94**	21.44	19.23
Working capital	**$ 757.1**	$ 879.7	$ 755.8
Capital expenditures	**252.0**	212.9	152.1
Depreciation expense	**96.7**	89.3	79.7
Property, plant and equipment, net	**1,211.9**	1,082.8	985.8
Total assets	**3,429.2**	3,031.6	2,682.1
Short-term debt	**61.4**	34.4	52.5
Long-term debt	**687.4**	600.4	528.9
Shareholders' equity	**1,522.8**	1,344.1	1,200.3
Average common shares outstanding (000)	**63,142**	62,833	62,606
Number of employees	**60,400**	61,200	61,600
Effective income tax rate	**44.1%**	44.1%	45.6%
Current ratio	**1.79:1**	2.02:1	2.03:1
Long-term debt to capitalization	**31%**	31%	31%
Return on average common shareholders' equity	**19%**	19%	16%

1978	1977	1976	1975	1974	1973	1972
$4,555.1	$4,166.1	$3,783.9	$3,704.8	$3,376.7	$2,741 6	$2,403.7
393.5	369.8	351.6	333.9	259.7	217.1	224.1
54.6	51.6	50.9	56.6	58.3	36.5	29.5
340.0	287.6	300.5	269.9	205.1	186.3	198 8
179.1	173.5	151.8	132.3	105.4	97.8	101.9
179.1	147.6	146 6	127.6	102.7	95.5	103.1
$ 2.86	$ 2.79	$ 2.45	$ 2 14	$ 1 71	$ 1.59	$ 1 66
2.86	2.37	2.36	2.06	1.67	1.55	1.68
1.35	1.24	1.18	1.09	1 03	1.01	95
17.64	16.09	14 91	13.67	12.65	11.93	11.37
$ 688 6	$ 584 2	$ 499.8	$ 489.6	$ 469.7	$ 433.1	$ 368.2
126.5	109.2	145.9	167 7	137.6	130.6	93.4
77.1	67.4	62.0	58.5	53.9	49.2	46.4
938.7	906.0	874.4	798.2	724.1	656.8	593.6
2,530.2	2,321.0	2,136 6	2,027.0	2,035.4	1,728.1	1,488.1
89.6	119.1	123.1	100.1	247.7	108.5	64.2
521.7	513.2	480.2	502.2	504.0	448.8	360.4
1,098.9	998.3	923.4	844.8	781.6	734.4	699.6
62,469	62,139	61,864	61,645	61,313	61,170	61,145
62,300	66,000	69,200	67,600	68,900	68,800	69,100
47.3%	39.7%	49.5%	51.0%	48.6%	47.5%	48.7%
1.98:1	1.98:1	1.88:1	1.92:1	1.76:1	2.02.1	2.15:1
32%	34%	34%	37%	39%	38%	34%
17%	16%	17%	16%	14%	13%	15%

Directors and Officers

BOARD OF DIRECTORS OF NABISCO BRANDS, INC.

PHYLLIS BURKE DAVIS
Group Vice President, Product Quality and Communications, Avon Products, Inc

WALTER G. DUNNINGTON, JR.
Executive Vice President and General Counsel, Nabisco Brands, Inc

MARTIN F.C EMMETT
Executive Vice President, Nabisco Brands, Inc.

KENNETH C. FOSTER
Former President, The Prudential Insurance Company of America

MILLS E. GODWIN, JR
Former Governor, Commonwealth of Virginia

DR HELEN A. GUTHRIE
Head of Nutrition Program, Pennsylvania State University

ROBERT W HAACK
Former Chairman of the Board, Lockheed Corporation, and Former President, New York Stock Exchange

ROBERT S. HATFIELD
Former Chairman, The Continental Group, Inc

JAMES L. HAYES
President and Chief Executive Officer, American Management Associations, Inc

CHARLES E. HUGEL
Executive Vice President, American Telephone & Telegraph Co

F. ROSS JOHNSON
President and Chief Operating Officer, Nabisco Brands, Inc

PAUL KOLTON
Chairman, Advisory Council, Financial Accounting Standards Board

SARTAIN LANIER*
Former Chairman, Oxford Industries, Inc

MORRIS L LEVINSON
President, Associated Products, Inc , a Nabisco Brands subsidiary

DEAN R. McKAY
Senior Vice President, International Business Machines Corporation

W EARLE McLAUGHLIN
Former Chairman, The Royal Bank of Canada

WILLIAM H MOORE
Former Chairman of the Board, Bankers Trust Company

C. RICHARD OWENS
Executive Vice President and Chief Financial Officer, Nabisco Brands, Inc

ELLMORE C. PATTERSON
Former Chairman, Morgan Guaranty Trust Company of New York

*Mr Lanier 72, will retire on May 6 1982, under the Company's retirement policy for directors

DR. ALBERT REES
President, Alfred P Sloan Foundation

ANDREW G.C. SAGE II
Managing Director, Lehman Brothers Kuhn Loeb Inc

ROBERT M. SCHAEBERLE
Chairman of the Board and Chief Executive Officer, Nabisco Brands, Inc

C. RICHARD SHARPE
Chairman and Chief Executive Officer, Simpsons-Sears Limited

WILLIAM C. TURNER
Chairman, Argyle Atlantic Corporation

JAMES O. WELCH, JR
Executive Vice President, Nabisco Brands, Inc

WILLIAM S. WOODSIDE
Chairman and Chief Executive Officer, American Can Company

HONORARY DIRECTORS

LEE S. BICKMORE
JOHN B. CLARK
GEORGE F. KARCH
JOEL S MITCHELL

OFFICE OF THE CHAIRMAN

ROBERT M. SCHAEBERLE
Chairman of the Board and Chief Executive Officer

F. ROSS JOHNSON
President and Chief Operating Officer

WALTER G DUNNINGTON, JR
Executive Vice President and General Counsel

MARTIN F. C EMMETT
Executive Vice President

C RICHARD OWENS
Executive Vice President and Chief Financial Officer

JAMES O. WELCH, JR.
Executive Vice President

CORPORATE STAFF

HARRISON M BAINS, JR.
Senior Vice President, Finance, and Treasurer

MANNING E CASE
Senior Vice President, Personnel

MICHAEL M. MASTERPOOL
Senior Vice President, Corporate Affairs

AUGUSTINE FENDROCK
Vice President, Information Services

RICHARD H. GAVOOR
Vice President, Corporate Development

WARD M. MILLER, JR.
Vice President, Law, and Secretary

J THOMAS PEARSON
Vice President, Taxation

DEAN R. POSVAR
Vice President, Planning

RICHARD A. THUNBERG
Vice President and Controller

CAROL S. TUTUNDGY
Vice President, Investor Relations

EMORY G BASS
General Auditor

NABISCO FOODS COMPANY

JAMES O. WELCH, JR
President

ROBERT J. CARBONELL
Executive Vice President, Technology

ROBERT J. POWELSON
Executive Vice President, Operations

WARREN J. ROBERTSON
Executive Vice President, Administration

CLAUDE B. HAMPTON
Senior Vice President and Group Executive, President, Biscuit Division

EDWARD P. REDDING
Senior Vice President and Group Executive

WALTER S HALLIDAY, JR
Senior Vice President, Law

JOHN B. McGOVERN
Senior Vice President, Personnel

ROBERT L. SANFORD
Senior Vice President, Technology

Business Unit Presidents

HENRY J BORNHOFFT, JR
President, Confectionery Division

DAVID M CHAMBERLAIN
President, Margarine and Dessert Division

FRED R CORRADO
President, Planters Division

JOHN H. MURRAY
President, Nabisco Foods Sales & Distribution Division

G F RANDOLPH PLASS, JR
President, Special Products Division

PETER N ROGERS
President, Life Savers, Inc

H BRUCE SWERINGEN
President, Freezer Queen Foods, Inc

WILLIAM J. TOBIN
President, Food Service Division

NABISCO PRODUCTS COMPANY

MARTIN F. C EMMETT
President

JOHN H. CLARKE
Senior Vice President and Group Executive, President, Food Ingredients

RICHARD S. CREEDON
Senior Vice President and Group Executive, Chairman, The J B. Williams Company, Inc.

FERDIE A. FALK
Senior Vice President and Group Executive; Chairman and President, Julius Wile Sons & Co., Inc.

H. F. POWELL
Senior Vice President and Group Executive, Canada

JOHN E WILLETT
Senior Vice President and Group Executive, President, International Nabisco Brands, Inc

EDWARD J ROBINSON
Senior Vice President, Finance and Planning

KEITH C. THOMPSON
Senior Vice President, Law

Business Unit Presidents

JOHN J ANTON
President, Clinton Corn Processing Company

ROBERT C BARANASKAS
President, Fleischmann Distilling Company

CORNELIUS N. MARX
President, Julius Wile Sons & Co

PAUL LOHMEYER
President, All Brand Importers, Inc

ROBERT D. GLOVER
President, The J B Williams Company, Inc

EMORY O JONES
President, Vinegar Division

MORRIS L. LEVINSON
President, Associated Products, Inc

TED T LITHGOW
President, Bakery Ingredients Division

International Nabisco Brands, Inc.

CHARLES W CARLETON
President, South American Operations

BRIAN HEALEY
President, Far Eastern Operations

FREDERICK T. KOVALESKI
President, Caribbean, Mexico and Central American Operations

ALDO L OSTI
President, European Operations

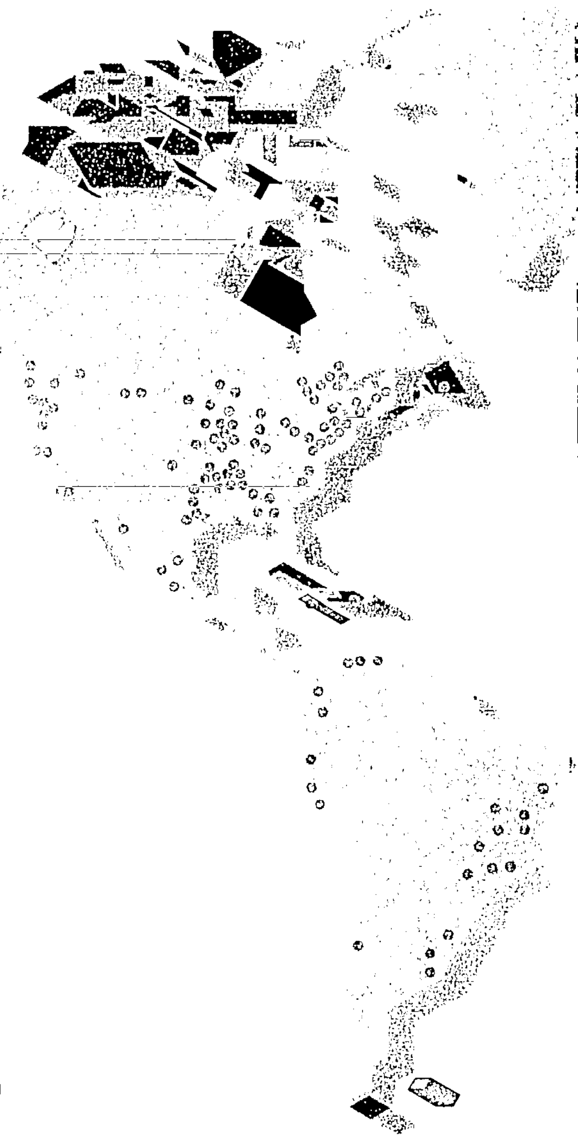
ANTHONY R. PENDRY
President, United Kingdom, Africa and Middle East Operations

Canada

JOHN R. McDONALD
President, Standard Brands Ltd

LLOYD E. WEIR
President, Christie, Brown and Company, Ltd

Locations of Principal Operations



Argentina
Buenos Aires
Vicente Lopez

Australia
Brisbane
Melbourne
Perth
Smithfield

Brazil
Conchal
Escada
Itaperuna
Itapetinga
Jundiai
Pedreira
Petropolis
Registro
Valadares

Canada
Amherst
Bramalea
Bridgetown
Calgary
Dartmouth
Gentilly
Hamilton
Kelowna
La Salle
Mississauga
Montreal
Niagara Falls
Richmond
St. Boniface
Scarborough
Sherbrooke
Streetsville
Toronto
Vancouver
Weyburn
Winnipeg

Chile
Santiago

Colombia
Medellin
Palmira

Costa Rica
San Jose

Denmark
Hjoerring
Taastrup

Dominican Republic
Santo Domingo

Ecuador
Am Bato
Eloy Alfaro

France
Castelsarrasin
Chateau-Thierry
Evry
Pont-Audemer

Greece
Athens

Guatemala
Guatemala City

Holland
Dieren
Haarlem
Meppel
Rotterdam
Vaassen
Wormerveer

Italy
Genoa
Liscate
Locate
Milan

Jamaica
Old Spanish Town

Japan
Koga*

Mexico
Celaya*
Mexico City
Monterey*
Obregon*

New Zealand
Auckland
Christchurch
Lower Hutt
Nelson
Wanganui

Nicaragua
Managua

Panama
Aguadulce
Panama City

Peru
Lima

Phillipines
Manila

Portugal
Lisbon

Puerto Rico
Bayamon
Mayaguez

Singapore
Jurong Township

South Africa
Dundee
Johannesburg
Pretoria

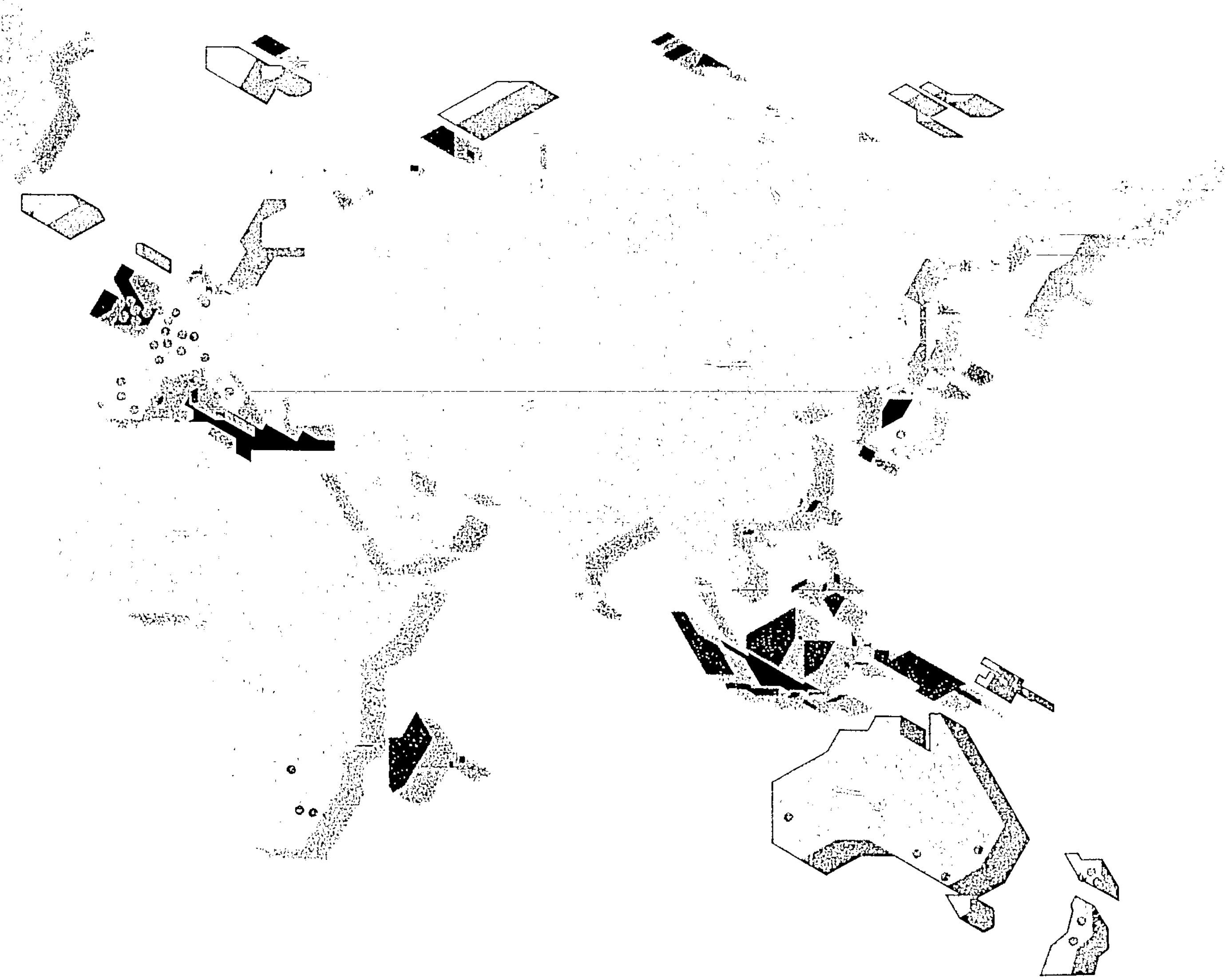
Spain
Bilbao
Montornes
Tordesillas

Trinidad
Tunapuna

Tunisia
Tunis

United Kingdom
Leicester
Liverpool
Welwyn Garden City
Wigston
Woodgate

United States
Atlanta, Georgia
Aulander, North Carolina
Baltimore, Maryland
Beacon, New York
Booneville, Arkansas
Bridgeview, Illinois
Brockport, New York
Brooklyn, New York
Buena Park, California
Buffalo, New York
Buhler, Kansas
Cambridge, Massachusetts
Canajoharie, New York
Cape May, New Jersey
Carthage, Missouri
Chattanooga, Tennessee
Cheney, Washington
Chicago, Illinois
Clifton, New Jersey
Clinton, Iowa
Closter, New Jersey
Cranford, New Jersey
Danville, Illinois



Dayton, New Jersey
De Leon, Texas
Denison, Texas
Denver, Colorado
Durant, Oklahoma
Fair Lawn, New Jersey
Fort Smith, Arkansas
Franklin Park, Illinois
Gardena, California
Holland, Michigan
Houston, Texas
Indianapolis, Indiana
Inman, Kansas
Los Angeles, California
Mansfield, Massachusetts
Marseilles, Illinois
Mayfield, Kentucky
Minneapolis, Minnesota
Montezuma, New York
Montgomery, Alabama
Naperville, Illinois
New Orleans, Louisiana
Niagara Falls, New York
Nixa, Missouri
Oakland, California
Owensboro, Kentucky
Peekskill, New York
Pennsauken, New Jersey
Philadelphia, Pennsylvania
Pittsburgh, Pennsylvania
Plainfield, Illinois
Port Chester, New York
Portland, Oregon
Richmond, Virginia
St Louis, Missouri
Seville, Ohio
Suffolk, Virginia
Sumner, Washington
Toledo, Ohio
Tualatin, Oregon
Woodbury, Georgia
Wrightstown, Wisconsin

Uruguay
Montevideo

Venezuela
Barquisimeto[1]
Caracas[1]
La Victoria

West Germany
Schwerte

[1] Unconsolidated affiliate

Corporate Data

Executive Offices
9 West 57th Street
New York, N.Y. 10019
(212) 888-5100

Form 10-K
The Company's Annual Report Form 10-K for 1981, filed with the Securities and Exchange Commission, is available upon request without charge and may be obtained by writing to the Secretary at the Executive Offices of the Company

Auditors
Coopers & Lybrand
1251 Avenue of the Americas
New York, N.Y. 10020

Principal Stock Exchanges
The Company's common stock is listed on the New York, Montreal and Toronto Stock Exchanges. The ticker symbol "NB" is used on the New York Stock Exchange. The Company's $3.50 cumulative preferred stock is listed on the New York Stock Exchange

Shareholder Information
Shareholders are requested to address all questions concerning their securities or dividends, address changes or other information to Nabisco Brands, Inc , Shareholder Relations, East Hanover, N.J. 07936, or by telephone, (201) 884-0500

Transfer Agents
The Bank of New York
90 Washington Street
New York, N Y. 10015

Montreal Trust Company
P.O. Box 1900, Station B
Montreal, Quebec H3B 3L6
Canada

Montreal Trust Company
15 King Street West
Toronto, Ontario M5H 1B4
Canada

Annual Meeting
Shareholders are cordially invited to attend the first Annual Meeting of Shareholders. It will be held at 10.30 a.m. on Thursday, May 6, 1982, at the Peachtree Plaza Hotel, Peachtree Center, in Atlanta, Ga

Dividend Reinvestment Plan
Nabisco Brands maintains a Dividend Reinvestment and Stock Purchase Plan. Holders of common stock participating in this plan may have dividends on their shares automatically reinvested in additional shares at a price 3% below average market price In-formation may be obtained by writing to The Bank of New York, P.O Box 11234, New York, N Y. 10249.

Throughout this Annual Report product references in italics and/or with initial capitals represent trade names, trademarks or brand names owned by or associated with Nabisco Brands, Inc., or its two principal wholly owned subsidiaries, Nabisco, Inc., and Standard Brands Incorporated

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